

Phd Thesis submitted to the

University of Leicester

by Peter Davis

The New Jerusalem versus the Dual Economy.

A study of the Moral and Political Economy

of Worker Co-operation

June, 1988, Leicester

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Abstract

This thesis has sought to achieve four related objectives in its analysis of the worker co-operative movement from the 1820s until the present.

Firstly, we have sought to re-establish the importance of moral precepts in determining the agenda of the political economy of co-operation. We have drawn attention to the importance of Christian values and theology in providing the inspiration and an ideological framework for much of the movement's development.

Secondly, we have sought to provide a critique of the theory and practice that has characterised worker co-operative development in the past and in the present. We have sought explanations for past failures and for the continuing marginal existence of the worker co-operative movement.

Thirdly, we have sought to establish the importance of the analysis of the English Labour Economists of the 1820/30s for the provision of an alternative strategy for worker co-operative development. We show that their ideas were largely ignored by their contemporary co-operators and after Marx it has been generally assumed that their contribution to socialist thought had been surpassed.

Finally, we develop the ideas of John Francis Bray in the light of our contemporary situation to provide a reworked and up to date statement of his approach to the redemption of labour. Our approach differs from Bray's in its recognition of the futility of utilising small savings to buy up capital. We advocate the use of small savings to buy labour. We demonstrate that this approach is both easier to execute and more effective in its results given modern labour market conditions and the established strength of organised labour.

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PART ONE: CONSIDERATION TOWARDS THE DEVELOPMENT
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CHAPTER 1 - SOCIAL SCIENCE AND SOCIAL VALUES

1.1 Science and Ideology - the relationship explored

The title of this thesis makes use of two distinct concepts which it places in opposition to each other. The 'Dual Economy' is a model of economic reality drawn from the social science discipline of economics. The 'New Jerusalem' is an ideological/theological term representing a future society either perfect and outside history or a communistic society seen as the end product of a victorious proletariat's destruction of capitalism. The concept as I use it, however, is meant to convey the idea of a future Co-operative Commonwealth. This concept is drawn from both Christian and Socialist thought.

Such a juxtaposition of social science and ideology raises immediately the problem of their relationship in the context of a scientific research project. In what ways can science relate to ideology? By ideology I mean a value interpretive and meaning system. Theology is itself a specific construction of ideology based on a combination of analysis and interpretation of the oral and written traditions of value and rule-giving systems. **Theology has as its** aim the provision of an explanation as to mankind's creation and purpose. Thus how science can be related to ideology in general also

stands for theology in particular. Both science and ideology (including theology) represent truths. Scientific truth can be relative or absolute. The absolute truths of science - the laws of matter - exist independently of human perception and analysis. But the relative truth of a given statement of scientific law depends on a) the current level of human scientific knowledge; b) the limiting material conditions within which the law is seen to work i.e., to be reproducible and predictable and c) the kinds of questions that are asked. All sciences, both natural and social sciences, are concerned to build models or frameworks to explain phenomena. The explanation involves establishing falsifiable propositions of cause and effect and being able to test them. The fact that much social scientific investigation has difficulty in isolating and controlling variables to the same extent as can be achieved by natural science presents social science with even more limiting conditions than natural science. This increases the "relative" element in the truths it propounds. Ideological truth is relative in that it is a truth to those who hold it to be so but not to those who deny its validity. It is absolute in the sense that its truths are held to be timeless, and also in the sense that people holding a particular ideology exist, see the world in a particular manner, and to a greater or less extent (depending on the ideology and their attachment to it) act accordingly, and as such Ideology represents an item of social/cultural data.

However, for Althusser;

"...ideology is a construct, a 'system of representations'. But what is represented in ideology, Althusser insists, is not the real world, not real social relations but rather (yet another!) 'new' and 'specific' form of reality; ideological reality."¹

Thus Althusser rejects the view that ideology is a form of consciousness which reflects economic conditions in a distorted and false form. In the post structuralist phase; "Ideology is no longer a 'representation' of anything which even pretends to be objective or real - it is a 'signifying practice'."² Hirst writes in 'Althusser and the Theory of Ideology', p408 in Economy and Society, 5 pp385-412, 1976;

"the products of signifying practices do not "represent" anything outside them, they cannot serve as a means of expression of class interests or of misrecognition of class interests".³

However, the Marxist philosopher Sean Sayers in his analysis of this position argues that;

"Contrary to the claims that are regularly made for them, neither structuralism nor post-structuralism sheds significant light on the power of ideology or on its resistance to criticism and change. We are none the wiser on this scene for being told that ideology is an 'imaginary' construct, or that it is a system of representations, discourses, signifying practices, or whatever. For the

1. Sayers, Sean Reality and Reason. Dialectic and the Theory of Knowledge. Basil Blackwell, Oxford, 1985 p101

2. *ibid* p104

3. *ibid* p104

source of these imaginary representations and
of their influence remains entirely
unexplained...."⁴

We accept Sayers' proposition situating the foundation of ideology in human responses to and perception of material and social reality. But does such a proposition really defend realism from the extreme relativism that Sayers wishes to refute?

"For a recognition of the social and historical character of knowledge seems to undermine the traditional basis of the theory of knowledge. The conclusion that it seems to imply is that our beliefs about the world can have no valid claim to absolute, objective or scientific status. Our beliefs can be no more than the way in which we, in our particular society, in this historical period, see the world. Our knowledge, including our very standards of truth, objectivity and rationality, it seems is merely relative to the particular context in which it is formed".⁵

Being "merely relative" is not the same as "false". Change is often part of the data which is being examined. In the world of matter change is a constant fact. Ideology therefore should not be viewed as only a mirror distorting some constant objective reality which can be exposed by scientific investigation. This may well be **true** in some cases, but ideology also represents values and principles which are timeless. The changes they undergo are the result of their application by human reason in its efforts to examine and pass judgement upon its environment in value

4. *ibid* pp105-106

5. *ibid* p83

terms. Ideology sets the terms of a given investigation and as a result of that investigation some of its own principles and values may be amended or set aside as being not applicable at this time.

The realism or objectivity of an ideological statement can be demonstrated or falsified by reference to the social context to which it claims to be an expression or an explanation. The necessarily greater degree of conditionality incorporated into the social scientific investigation affects the terms and conditions under which a given proposition may be stated with confidence of receiving a particular verification. **This impact of the degree of conditionality contained in both a social and Ideological statement is of more operational than philosophical consequence to the social scientist.**

The tension between "realism" - the view that there exists concrete objective exterior reality that can be known (understood) and is the same for us all and "subjectivism" - the notion that all knowledge is filtered through the perception of the individual observer, and is thus relative, is a difficult one. The researcher engaged in research stimulated by a given value set needs to be on his guard against ignoring evidence or interpretations that do not fit his model or frame of reference. At the same time one must not be afraid to formulate questions, and methodology appropriate to their solution, in ways that relate and have meaning to the personal observations

and experiences of life that led the researcher to invest significance to any given enquiry. Objectivity does not contradict commitment, on the contrary, commitment requires objectivity to realise fully its objectives. As Mitchell (1968) wrote,

It may be suggested that the values with which the law should concern itself, although not 'universal' should nevertheless be 'rational'".⁶

That necessarily involves supporting value based propositions with empirical evidence collected in an unbiased method and argued in a logical manner.

Ideology presents a value-laden translation of knowledge of the thing in itself, and a translation which can be either right or wrong in terms of human perception of social, psychological and material needs. Our knowledge of the 'thing in itself' or Science and our way of knowing in human terms and human values must both be capable of being right or wrong. Facts and values are data available for comparison and testing. It is understanding itself - the critical and self-critical faculty that stands in Kantian fashion - a priori to knowledge. Our reason can be and is influenced (even distorted) by conditioning through genetic and environmental forces but just as we can merely reflect our material context so also we can and sometimes do critique and transcend our material/social

6. Mitchell, B.G. Neutrality and Commitment, Clarendon Press, Oxford, 1968 pl21

context.

To dismiss ideology as merely a wholly false consciousness is to fail to recognise ideology's critical role in science and sciences critical role within ideology. Science, both natural and social, attempts to explain phenomena, that is explain in its own terms the material conditions it is investigating (again be they social or natural). Scientific statements, for example - "The earth revolves around the sun", or, "an individual breaking group norms will experience collective sanctions", still require a further layer of ideological meaning before we know what they mean for us - how we should interpret and internalise science and how we should respond. Further, ideology will direct scientific investigation and the type of questions science poses. Thus the relationship between science and ideology is not simply truth versus false consciousness. It is an intimate and complex interaction of facts and values in which neither side has a monopoly of either of these elements. Science is more or less concerned to present particular facts. Ideology is more or less concerned to give these facts significance or meaning in terms of human value systems. Beyond this rough and ready distinction both get closely interwoven in practice.

Science acts as an aid to ideology in three ways. Firstly, it can make ideology the subject of its own research. Secondly, it can provide techniques to

enable the more efficient and effective dissemination of any given ideology. Thirdly, it can make a contribution to understanding and resolving problems posed within an ideological system itself. It is in this third context that we wish to use scientific knowledge and technique in this research project. The divisions of scientific knowledge that shall be used in these investigations are Economics, History, Sociology and some of the specialised disciplines that draw upon them; in particular Politics, Industrial Relations and Management. However, what is the validity for the use of science for such a purpose. In the social sciences the force of precedent is considerable. For example Martin (1969) writes:-

"This recognition of the moral basis and implications of sociology is far from new. For the 'founding fathers' of sociology - Marx, Weber, Durkheim, Toennies and others - were inspired by essentially moral considerations; the need to comprehend and often prevent the corrosive effects of industrial development upon society and the individual. For the early sociologists were both social scientists and social critics, whether conservative (like Durkheim), moderate and pragmatic (like Charles Booth) or radical, (like Marx).⁷

The linkages between economics and ideology have also been forceably analysed by Joan Robinson,

"...economics...has always been partly a vehicle for the ruling ideology of each

7. Martin, R. 'Sociology and Theology' Chapter 1 in Sociology, Theology and Conflict, ed by Whiteley, D.E.H. and Martin, R, Basil, Blackwell, Oxford 1969, ppl8-19

period as well as partly a method of scientific investigation."⁸

Mrs Robinson is clear as to the distinction in theory but recognises that they are often blurred in practice. However, it is not merely a question of blurred distinctions. She is surely agreeing with Martin's point about sociology and values when she writes:

"Metaphysical statements also provide a quarry from which hypotheses can be drawn. They do not belong to the realm of science and yet they are necessary to it. Without them we would not know what it is that we want to know".⁹

1.2 Sociological Paradigms influencing the research approach

It still remains to define the ideology and the ideological framework which informs this work. In absolute terms this is not in itself difficult. Christianity and Marxism as separate and contending world views are recognised globally as crucial social forces, and as having an enormous impact on our intellectual heritage by both adherents and opponents alike. Even the bringing together of these two systems into a composite of the two has an academic history in the Christian-Marxist dialogues that have occurred from time to time. For example, in the interwar period, Lewis, Polanyi, and Kitchen, Christianity and the

8. Robinson J. Economic Philosophy, C.A. Watts & Co Ltd., London, 1962, reprint Penguin, 1966, p1

9. *ibid*, p9

Social Revolution, (1935), and more recently, MacIntyre, A, Marxism and Christianity, (1968) and Machovec, M A Marxist Looks at Jesus, (1972) all examine the relationship in philosophical and historical terms. There is as well the greater tolerance of Christian ideas by Euro Communist parties in the West, and an opening of Christianity to Marxist influences as with the Liberation Theology that has come from Latin America.

However, what is perhaps more problematic is the writer's own selection from within the rich intellectual sources of Christian and Marxist thought, and his views as to their relevance and significance for the Co-operative Movement. In terms of the complex interaction between science and ideology the researcher must first of all recognise that he is part of the data. Great emphasis has been placed by many of the most influential social scientists, Weber, Husserl, Shutz, etc., on personal experience in shaping their research frameworks for understanding and investigating human behaviour.

"For Schutz, the process of understanding the conduct of others can be understood as a process of typification, whereby the actor applies interpretive constructs akin to 'ideal types' to apprehend the meanings of what people do. These constructs are derived from the experience of everyday life and the stock of knowledge or common-sense which comprise the natural attitude. It is through the use of typifications that we classify and organise our everyday reality. The typifications are learned through our biographical situation. They are handed to us according to our social context. Knowledge of everyday life is thus socially

ordered. The notion of typification or ideal type is thus not a merely methodological device as envisaged by Weber, but an inherent feature of our everyday world." (My Emphasis)¹⁰

The writer has been somewhat influenced by a rather deterministic Marxism which denies the existence of objective (neutral) research outside of the expression of a given class interest. The words of the historian T.A. Jackson express something of this view when he wrote:

"I write frankly as a partisan. I have done my best to be candid; but impartiality is beyond my scope. My concern is to help forward the cause I uphold."¹¹

Interestingly enough T A Jackson would without doubt never once challenge the idea of the existence of an objective reality which remains the same no matter who is examining it - the "Realism" which Sayers is seeking to defend.

This writer is also influenced by the standpoint known as Radical Structuralism.

"Radical structuralism is aimed, first and foremost, at providing a critique of the status quo in social affairs. It is a perspective which is concerned not just to understand the world, but to change it. The underlying focus of interest tends to be upon the structures within society, and particularly the way in which they interrelate. Writers within the paradigm

 10. Burrell, Gibson, and Morgan, Gareth. Sociological Paradigms and Organisational Analysis. Heineman, London, 1979 p245.

11. Jackson T.A. Ireland Her Own Lawrence and Wishart, London, 1971, p20

tend to view society as composed of elements which stand in contradiction to each other. They are interested in the effects of these contradictions, particularly with regard to the role which they play in creating economic and political crises. Radical structuralism is a view which focuses upon the essentially conflictual nature of social affairs and the fundamental process of change which this generates. Deep-seated conflict is viewed as the means by which man achieves emancipation from the structures of the social world in which he lives."¹²

This research is concerned not just to understand but to understand in order to change. But unlike the Radical Structuralists, this researcher feels less sure that the subjective interpretation of experience by human beings is not to be seen as very much a crucial component of the "objective reality" that we seek to change, of equal importance to any "structures" or "institutions" that one might analyse and criticise. Thus at the outset the writer confesses to a certain eclecticism in his philosophical and methodological stance. Burrell and Morgan have sought to categorize the various paradigms of social and organisational enquiry as follows:-

THE SOCIOLOGY OF RADICAL CHANGE

	Radical humanist	Radical structuralist
SUBJECTIVE		OBJECTIVE
	Interpretive	Functionalist

THE SOCIOLOGY OF REGULATION

The approach in this thesis has one foot in the "Interpretive" box with its emphasis on subjective experience and the sociology of regulation, and the other foot in the "Radical Structuralist" box with its emphasis on radical change and objective conditions. However, these opposites may in fact prove to be complementary rather than contradictory. It is not part of the purpose of this research to trace the intellectual roots of these two paradigms but merely to alert the reader to the intention to make free use of them both. However, we may note one point Burrell and Morgan make in their description of these paradigms.

"Whilst its intellectual roots can be traced back to the work of the early German Idealists, the interpretive paradigm has been most decisively shaped and influenced by the works of Dilthey, Husserl and Weber."¹³

and on the other hand,

13. *ibid* p22

"The intellectual foundations of the radical structuralist paradigm were laid in the second half of the nineteenth century in the work of Karl Marx."¹⁴

Marx claimed to have turned Hegel from standing on his head to standing on his feet and the influence of German Idealism on the structures of Marx's thought are well documented. The quotation above is careful to refer to the second half of the nineteenth century, in order I suspect to accommodate the view of Althusser that Marx's thought underwent an epistemological break with German Idealism. However, Althusser's views on the discontinuity of Marx's thought have not gained universal acceptance. It may be difficult to discern the dialectic in Capital but the concept of alienation clearly informs Marx's value theory. Thus it may be that these two paradigms are themselves opposite sides of the same coin of German Idealism. A unity of opposites may produce insuperable problems of logic and methodology, however, the direction for the resolution of this problem has already been pointed out by Joan Robinson in her book Economic Philosophy, (1962) quoted earlier when she wrote:-

"Any economic system requires a set of rules, an ideology to justify them, and a conscience

in the individual which makes him strive to carry them out".¹⁵

It is not just the case that ideology directs science into specific lines of inquiry or that it interprets the results of scientific investigation. What Joan Robinson is saying above is that ideology becomes the means of translating science into social practice at the macro level and a means of internalising scientific truth at the personal level in order to ensure behaviour compatible with that truth. This is an essential function to be performed once we recognise that human beings are free to think and act (within limits) as they please. Human action is contingent on human will or consciousness. A contingent action is not a necessary action. Social science has pointed to the complexity of the variables influencing human behaviour but has not perhaps given as much emphasis to the element of free will within each human being as he/she confronts these variables.

"Throughout the history of thought, pre-Christian and post-Christian, contingency has regularly been contrasted with necessity, for contingent things do not have to be and contingent events do not have to happen...In Classical Greek thought, whether of a Platonic or an Aristotelian kind, rational knowledge was held to be possible only of things and events which cannot but be what they are in their causes i.e. where necessary (logical or causal) relations obtain. Hence contingent things and events which are particular, changeable, and

15. Robinson J. p13. Also no less an economist than Pareto devised a sociological theory to complement and regulate his economic theory. For a discussion of this see Napoleoni, C. Economic thought of the Twentieth Century, Martin Robertson, London, 1972

uncertain and which subsist only accidentally, were held to be not properly knowable for they could not be construed in terms of necessary and universal connections or determinate forms."¹⁶

A significant proportion of human behaviour is contingent in this way. One limiting factor on just how contingent human behaviour can be is the strength with which the value set or ideology is held by any given person.

The economic structures, class structures and institutional structures that the researcher has identified as relevant and important objects for his research reflect his own values and experiences. The question posed is put on the basis of a set of given assumptions. They arise out of a problem that has its origins in an ideological system which can broadly be typified as Socialist. Socialism has at a number of levels reached an impasse and a crisis in the West and particularly in Britain. The "solutions" if any, that are proposed as a result of a scientific investigation of these problems will not work of their own volition. They will require an ideological translation and justification if they are to become not a paper formulation but a living social practice. The ideological problem can be stated simply as the failure of Socialist ideology to transmit into popular culture and practice the basis of its scientific findings. The

16. Torrance T.F. Divine and Contingent Order, Oxford University Press, London p85

Scientific crisis for Socialism is its inability to develop a truly liberating strategy to counter the developing capitalist system. The selection of this issue concerning the crisis of Socialism (and the Left) takes us away from philosophy and methodology however and into experience - in this case that of the researcher himself. For experience is the objective context in which ultimately all our value sets must be tested.

1.3 The starting assumption of the researcher in defining the problem and in his exploration of the solution

There follows a brief outline of those views and experiences that the writer is conscious of having a bearing on his research interests and orientations. This beginning seems to be justifiable from the perspective of both research paradigms referred to above. From the interpretive standpoint values and perceptions help to shape the reality of the researcher and how he relates to his social context. To refer back to Schutz, the typifications being made are "learnt" through ones own biographical situation. Also from the rather different perspective of radical structuralism it seems a reasonable expectation that the researcher should state his position "candidly" as it relates to his choice of subject area and formulation of the question to be researched.

Our starting point is the experience of working class life both as a child and as a young man. That is what formed and informed the writer and

it is that condition he wants to try to help change.

The working class life experienced by the author was one of spiritual deprivation and material vulgarity in the 1950s and 1960s. By the 1970s and 1980s within his own family, as with society at large unemployment, low pay and poverty had re-emerged.

When capitalism destroyed the family based economy, it produced not only an excellent consumer market but it also increased the labour market. Today's further rationalisation towards the norm of a one parent family adds to these existing objectives the possibility of further increasing the isolation and dependence of workers on the state and the labour market for their existence.¹⁷

Marx forecast the proletarianisation of the middle-class but failed to predict capital's ability to control this process for its own ends. The result has been formulated in terms of the Dual Economy with its distinction between internal and external labour markets.¹⁸ Marx identified Capitalism's need for an industrial reserve army, but mistakenly seems to have assumed that the employed and unemployed - the

17. For an excellent analysis of this process see chapter 13 "The Universal Market" in H.B. Braverman, Labour and Monopoly Capitalism, Monthly Review Press, 1974

18. Averritt and Galbraith are my principle sources for this concept which I define and develop fully in a later chapter of this work.

full-time and part-time employed and the continuously employed and temporarily employed would all recognise their common interests and make common cause against their alleged class enemy. Yet these very distinctions present very different material conditions and interests. It may be apocryphal - but I have read somewhere the story of the American businessman in the 1920s who stated he could always hire half the working class to shoot the other half. This is the political logic of a Dual Economy - the paternalism of a Hitachi or Toyota or a Mars or General Motors. Their strong internal labour markets operating in a sea of low paid and insecure employment, provides conditions that militates against organisation of opposition on the lines of the traditional labour movement.

Organised Labour must find a means of extending its reach to the workers engaged in the secondary labour markets and on the unemployment registers if it is to become an effective force countering the social fragmentation and economic deprivation and inequality that we believe characterises the modern economic system. Co-operative organisations have been presented right from the beginning of the industrial revolution as just such a solution to the problems of inequality in the free market economy.

1.4 Co-operation - A Political and Economic practice based upon a moral judgement

The Co-operative ideal with its emphasis on self-reliance, independence from government, the work ethic and personal thrift, make it a hard target to critique from the new radical and monetarist right. Yet its emphasis on democracy, labour's primacy over capital and the social obligations of business also make it very attractive to the left. An additional strength in the Co-operative idea is its flexibility in application. Unfortunately, such flexibility can be a source of danger and a means of diversion from co-operative objectives.

Co-operatives as organisations have been around for a long time. A conservative estimate would say that in Britain they go back at least 175 years. Others would perhaps seek to trace their origins back to the Civil War period or even to antiquity. Yet co-operative literature remains particularly untheorized, it abounds with case studies concerned to analyse failure, democracy in action, and many other aspects of

co-operative activity. Co-operatives remain all things to all men and exist in a wide variety of forms in all sections of trade, industry, commerce and service. Co-operative structures have been developed to solve housing problems; credit co-operatives provide small loans at low interest rates; and we are all familiar with consumer co-operation in Britain. This research is principally concerned with the form of co-operation known as worker co-operation, but shall refer on occasions to other forms when it becomes relevant for the analysis. Another successful form of co-operative in Britain and elsewhere is that developed for the farmer, fisherman and horticulturalist. Farmers' co-operatives clearly provide a useful mechanism for turning the wheels of small-scale capitalist agriculture in the United Kingdom, whilst at the other end of the spectrum in some radical African states they are seen as a basis for rural socialism. The question then is under what circumstances can co-operatives become agents for profound social change rather than just interesting alternative ways of achieving goals (both economic and social) compatible with or even conducive to the status quo? This is the underlying issue concerning this doctoral thesis. Like all scientific endeavours it is rooted in a set of material conditions with which it seeks to come to terms in order to transcend. We seek to know in order to control. In turn we seek to control in order to change - to make better for ourselves and others in similar

circumstances. Let us here specify what is meant by "profound social change" and "conditions". By "conditions" we refer to the developmental agencies, structures and government of co-operatives, and secondly, to the appropriate ideological context. Despite some significant variations all co-operatives as referred to here conform to the International Co-operative Alliance's six principles. These principles are as follows:-

1. Open-membership.
2. One member, one vote.
3. Limited return on capital.
4. Allocations of surplus in accordance with transactions or work.
5. Member education.
6. Co-operation between co-operators.¹⁹

We shall elaborate in detail these principles and the variety of organisational and legal forms worker co-operatives may take in chapter 10 when we examine the current profile of worker co-operatives.

By "profound social change" reference is made to the extent to which an Organisation permits the mobilisation of people in such a way as to enable the generation of concentrations of socially owned capital for the purpose of challenging private capital's domination of given markets. Such "profound social

19. Adopted by the ICA at 23rd Congress in Vienna, September 1966. See ICA Commission on Co-operative Principles, ICA Vienna, 1966

change", therefore means sufficient change in the relative power relations between Capital and Labour to place the balance in Labour's favour. Otherwise the best that can be hoped for in the context of the spaces left within a pluralistic but "monopolised" and "hegemonised" capitalist system, is that co-operatives should enable people to create some independent sources of capital. In the process workers may realise their own "value" as the source of all created value and as a distinct local community of interests. Can co-operatives that start at this level of local community interests generate the economic and organisational impetus to transform a class in itself, not simply into a class for itself, but a class for all classes? Upon the answer depends whether or not the possibility for a non-violent Socialist social transformation exists. Can labour redeem itself from capital and in the process reconcile the various antagonistic social strata born out of this great division. In coming to the issue of co-operative organisation this research - like the very first co-operators themselves - is concerned with the economic exploitation and spiritual decomposition of the people. Paul Lambert discussing the distinction between science and social philosophy wrote:-

"The present work is a study of social philosophy; it is necessary that I warn the reader of the meaning that I give to this word. Like many writers, I make a clear-cut distinction between social philosophy and science. Science explains the real, social philosophy judges the real and proposes several changes in order to improve it...As

far as Co-operation is concerned, the social philosophy comes before the science, for it has come before the existence of Co-operation itself; Co-operation derives from a judgement made by its founders on the world as it appeared just after the industrial revolution, and it is because this judgement was an unfavourable one that Co-operation was born.

As Charles Gide once said, Co-operation is at the same time an object of science and a reason for being. Hence its complete study implies at the same time a scientific and an ideological study."²⁰

A solution to the economic crisis cannot be found in purely economic terms. The success of capitalism depends on social and ideological acceptance. Part of gaining that acceptance requires a gradual erosion of social and moral susceptability permitting the continuance of social fragmentation. Economic reform to counter this process must be accompanied by an ideology that fits the needs of the economic and social relations that are being proposed. In Chapter 2 we point to the social and co-operative dimensions of Christian theology and doctrine. We suggest that the latter's deep impression on European values and social philosophy makes it a particularly significant vehicle for the acceptance of co-operative ideas and practices. The existence of this Chapter is a response to our recognition of the moral basis of co-operative ideas and is our attempt to trace the origin of that morality to its roots in Christianity.

20. Lambert Paul. Studies in the Social Philosophy of Co-operation, Co-operative Union Ltd., Manchester, 1963, pp 28-29.

Chapters 3 and 4 seek to show that this connection has never been worked out as part of a popular co-operative practice, but rather remained as a personal and essentially optional justification for co-operation. Indeed many of the nineteenth century Christian Socialists were Christians moving towards a secular humanism or else motivated more by the Christian idea of charity to the poor than an awareness of Christian Co-operation as an integration of social and economic practices with the individuals expression of personal morality.²¹

As Hordijk (1978) has put it,

"The gap between individual and social ethics has been reduced to a discussion of whether we opt for individualism or collectivism".²²

We shall argue that the Christian social idea as expressed by a co-operative practice cuts through this essentially sterile juxtaposition of the individual and the collective.

1.5 Summary

What has been attempted in this introduction is to

21. I will cite details from the work of S Mayor, The Churches and the Labour Movement and to P N Backstrom, Christian Socialism and Co-operation in Victorian England for evidence to support this assertion in Chapters 2 and 4.

22. Hordijk, A. "Trade Unionism and Ethics" in C. Van Dam Stallaert, L.M. ed. Trends in business ethics: implications for decision-making, Martinus Nijhoff, Leiden/Boston, 1978 p44

sketch out some of the basic starting assumptions of our thesis.

The approach of this research is based on the standpoint that is both scientific and value-based, it claims to be, therefore, a work of moral and political economy.

This thesis is not going to attempt to prove the assertions as to the nature of the working-class experience in Britain. It is rather that by understanding the experiential and ideological starting point the questions posed are given a *raison-d'être* and a context. These assumptions form the starting point for this research. It is this starting point that determined the access to organisations and information. The questions posed and the methodology adopted are premised by our experience of life and our conceptualisation of that experience and the value judgements we have made concerning that experience.

It was Adam Smith who wrote:

"Man was made for action, and to promote by the exertion of his faculties such changes in th external circumstances both of himself and others, as may seem most favourable to the happiness of all".²³

23. Adam Smith, The Theory of Moral Sentiments in Essays of Adam Smith, London, Alex Murray and Son, 1869, p97

CHAPTER 2 - CO-OPERATION AS AN EXPRESSION
OF THE THEOLOGY OF THE EARLY CHURCH

2.1 Introduction

This chapter will examine the doctrine of Redemption in the old and new Testaments together with St. Paul's development of the concept of the body of Christ. It will seek to show that St. Paul's teaching goes to the very heart of co-operative principles and practise. The argument that unfolds will suggest that St. Paul's teaching on the concept of Redemption, with its roots in the Old Testament, provides a theme that is reflected and re-interpreted across the centuries to re-emerge in early co-operative writings and to be echoed in Marx's concept of alienation. (In Chapter 4 we will examine the Christian Socialist and Redemptionist contribution to early co-operative initiatives and in Chapter 7 the source of the Redemptionists' economic ideas).

It will be argued here that co-operation is the practical application of St. Paul's teaching on the Christian community. Co-operation is not simply an addition but flows consequentially from St. Paul's teaching and from the teaching in the Old Testament and of Jesus himself. But before going any further with these matters let us briefly refer to an inter-faith issue. Christianity is not the only religion of importance in the world, nor are co-operatives only to be found in Christian societies. One has only to think of the Indian sub-continent to recognise that this

is far from the case. Thus, it is clear that it may not only be Christianity that provides the basis for an ethical and religious content for the co-operative form. Even the idea of redemption itself is not unique to Christianity and appears in the religious practices of Islam and the theological structure of Buddhism. See for example Ayoub, M. Redemptive Suffering is Islam, (1978) and de Silva, L.A. Creation, Redemption and Consummation in Christian and Buddhist thought, (1964).

It would take a major work of theological research to trace the inter-connection and distinctions of this idea of redemption in these three faiths, and to examine their vision of a social order within the religious law or dharma as they see it. To undertake such an examination would take us clearly away from the central concerns of this thesis. Also, as we are looking at worker co-operation in the United Kingdom, Christianity becomes the only religion that could be practically considered. Whether one believes or not, Christian ideas and values are deeply embedded in our intellectual heritage.

2.2 Christianity - social relations as the route to salvation

The Christian religion is not solely concerned with the individual but with the individual's social relations.

Eastern religions lay down codes of behaviour concerning mans social relations but essentially these are seen as part of the personal discipline necessary in order to achieve union with God. However,

"The Old Testament idea of redemption ,lays emphasis on the divine initiative, comprehends within itself the deliverance from material as well as from spiritual perils and constraints, and deals primarily with Israel as a people, though growingly concerned with the relation of the individual to God, within that social solidarity."¹

The Judaic-Christian tradition does not emphasize personal union with God but rather eternal life for God's chosen people. For example Isaiah 43

"But now, this is what the Lord says - he who created you, O Jacob, he who formed you, O Israel: "Fear not, for I have redeemed you; I have called you by name; you are mine. When you pass through the waters, I will be with you; and when you pass through the rivers, they will not sweep over you. When you walk through the fire, you will not be burned; the flames will not set you ablaze."²

Salvation is promised for those people who keep God's Commandments. Absent are the aesthetic practices of the yogi or the meditations of the Zen masters. In the New Testament Jesus makes it very clear that salvation for each person depends on how they act and feel both towards others and to God. Perhaps the most well-known instance of this teaching is to be found in the parable

1. Wheeler-Robinson, H. Redemption and Revelation, Nisbet and Co.Ltd, London, 1942, p227

2. All quotes from scripture are taken from Holy Bible, New International Version, Hodder and Stoughton, London, 1979

of the sheep and the goats, Matthew, 25 v 31-46.

"The righteous will answer him," "Lord, when did we see you hungry and feed you, or thirsty and give you something to drink? When did we see you a stranger and invite you in, or needing clothes and clothe you; When did we see you sick or in prison and go to visit you?"

The King will reply, "I tell you the truth, whatever you did for one of the least of these brothers of mine, you did for me."

Thus the New Testament adds to the concept of collective salvation the realisation that for a society to be saved the individuals that make it up must recognise fully their responsibilities towards each other. Christianity is not replacing the Old Testament concept of social solidarity, it is rather defining in new terms what it means in practice. This point is central to the reasoning that Co-operation has an important contribution to Christian social organisation.

2.3 Redemption through Social Solidarity

The theme of redemption for sin through sacrifice runs through the Old Testament and is the central raison d'être for Christ's coming. It is the message of the New Testament - Christ died for our sins. How is it possible that one man's sacrifice of himself can be accepted as for me? We must firstly recognise the ancient conception of corporate personality'.

"According to this conception, a larger or smaller group (nation, class, or family) could be treated as a unity...The whole group could function through or be seen in any one of its member...Thus in early law the

individual could be punished for the faults of the group, or the group of those of the individual. Since this 'corporate personality' was not confined to the living, but included the dead and the yet unborn, the group could be conceived as living for ever."³

This Old Testament idea of 'corporate personality' receives from St Paul, in the light of Jesus's death on the cross and his resurrection, a startling and dynamic reinterpretation that will be examined in section 2.4.

Theologians agree that the concept of redemption is an important one found in frequent references in both the Old and New Testaments. Redemption as a metaphor describes the idea of retrieval - setting free from slavery, buying back something lost, sold or ransomed.⁴

In the Old Testament,

"the concept of redemption had become a prominent metaphor of God's deliverance of his people, having a primary reference to the historical deliverance of Israel from the power of Egypt at the Red Sea...Other New Testament writers, especially St Paul (but also Heb., 1 Pet., and Rev.,) make considerable use of the redemption metaphor..." and "There is no reason to doubt that Jesus himself had taught such a doctrine of redemption to his disciples. He conceives of 'the redemption' as the Messianic salvation which he promises to those who shall faithfully endure to the end (Mark 13, 13)"⁵

The blending of the salvation concept gives redemption

3. *ibid* p258

4. Richardson, A An Introduction to the Theology of the New Testament SCM Press Ltd., London, 1958, p218

5. *ibid* pp219-220

in the New Testament futuristic meaning,

"... the idea of 'salvation' for the Christians of those days was centered on a future consumation, and not, as so often with us, in a new present character."⁶

Thus,

"...the New Testament redemption is strongly eschatological, though essentially marked by present moral and spiritual "accompaniments" that it is inseparably linked to the saving work of Christ, more especially that of His crucifixion and resurrection, that it includes deliverance from all that is alien to man's well-being and promotes "life" in the fullest sense."⁷

In addition, social structure is crucial to Christianity, both as an important dimension in the definition of sinfulness and as a mechanism for the expiation of sin.

"...man has a triple responsibility for sin, and therefore a triple form of guilt, which is moral blameworthiness before God. There are the particular sins which he has committed, the general sinfulness of his nature, and his share in what was called the social solidarity of sin. Whatsoever change in personal attitude may be brought about...the effects of his sins on other lives have largely passed beyond his control, just as the effects of the sins of others upon himself have passed beyond theirs."⁸

It is well understood that each man depends on his social and economic environment, and that as a result of that dependence others - the poor, the sick the

6. Wheeler- Robinson, H. p235

7. ibid p258

8. ibid p258

unemployed etc., suffer adversity through the wrongs committed within the community at large. Putting injustice right "costs" both in social and individual terms. Thus that, "universal interdependence constantly involves suffering, and suffering for others."⁹ God in the person of Jesus enters voluntarily into this suffering as a man in order to expiate by taking on his shoulders the penalty of man's sin. Jesus is motivated by pure Love for mankind. Christ's redemptive act of grace does not force or require individuals or society as a whole to be saved. What it does claim is to offer the certainty of salvation to those who acknowledge Jesus's sacrifice and live their own lives according to his model.

The linear concept of history in Christianity comes in at precisely this point and plays a crucial role in Christian doctrine. Jesus's act of sacrifice was a once and for all time act, but it is left up to the individual to make his decision. Why cannot this be a continuous process going on for ever? Because Christians believe that the struggle of good and evil will have an end result. This climax in history will also signal the end of history. Further,

"...It is clear that the divine redemption wrought in this eternal realm must have its complementary application within the world of time, where redemption is a process, not a timeless reality. This necessarily raises

9. *ibid* p266

the question of ... the degree to which the redeemed may be regarded as co-operating...in the total work of redemption?."10

It is precisely this that Christians are called to do , to act as one body in the participation in God's redemptive sacrifice both at the Eucharist and in the world at large.

2.4 St Paul's Concept of the Christian 'Koinonia' (Community)

To explore further and develop the concept of the redeemed participating in the process of redemption we must turn to St Paul's doctrine of the unity of man through the individuals acceptance of Christ's redeeming grace. Where many individuals share an experience so intimate as the "partnership of the Son of God", there must be a very intimate unity among them. Moved and governed by the same Spirit, they are one at the deepest levels of life...Wherever Christ's spirit is at work, there is His body; and he only has one body."11

Traditionally this doctrine has been used to justify the continuation of social inequality in term of power and wealth both within the church and without. Such an interpretation is flatly contradicted by many passages

10. ibid p278

11. Dodd, C.H. The meaning of Paul for today, Fontant, London, 1968, p152

in the New Testament not least by Jesus's own teaching on this point.

Mark 9 v 35

Sitting down, Jesus called the Twelve and said, "If anyone wants to be first, he must be the very last, and the servant of all".

Thus, hierarchy exists, but as a complete inversion in the Christian community to the hierarchy that exists in the secular world. Different functions and skills bind men and women into closer unity. But this very unity could never be expressed except in terms of rewards or resources allocated on the basis of need. This idea is taken up by the English Labour Economists discussion of wage differentials under a socialist or co-operative economy (see ch 7), although Marx himself ridiculed the idea of equality of wages in Wages, Prices and Profits.

If Christ lived in each then all were one. St Paul's word for this is the Greek word 'Koinonia' which is variously translated 'communism or fellowship', but originally was a commercial term implying co-partnership or common possession.

"This word seemed to the early Christians the most appropriate term to described their relations to one another...Here was a community created not by geographical accident, or by natural heredity, not based on conquest, or wealth, or government, but coming into existance by the spontaneous outburst of a common life in a multitude of persons... ..the irrelevant distinctions of class, race, and nationality, which set men in hostility, are substituted those

differentiations of function which bind men together in a co-operative commonwealth."¹²

This community is, however, only possible because of the active expression of Love which St Paul clearly saw to be;

"...a creative principle of society, the actual force which builds and keeps in being the mystical body of emancipated humanity, the "Israel of God"...the spirit of Love... ..builds up the commonwealth of God into an ordered and organic whole."¹³

St Paul's "Koinonia" rises to become the "Ecclesia of God" a community of loving persons bearing one another's burdens and strengthening each other. Work is not for individual gain but to enrich the community. The people of the Ecclesia are referred to by St Paul as "Hagios" in the original Greek, this has been translated as 'saints' but equally means 'holy'. For St Paul the Christian is different (holy), "not by withdrawing from the world but by living differently in the world."¹⁴

In his book, Redemption in the Light of History, Dick Fleming writes:

"We can also accept without confusion of thought the teaching of Jesus when he proclaims that the blessings of the kingdom are God's free gift to men and yet equally proclaims that the kingdom is a treasure which must be bought with all a man has...These two points are perfectly

12. ibid pp154-155

13. ibid p152

14. Barclay: The Mind of St Paul p179

"harmonizable if once we recognise that the way into God's Kingdom is the same way as the way in God's Kingdom, and that the gracious activity of God works in and through all our human endeavours The acceptance of Christ's Spirit - in which all Divine blessings are contained - means the exercising of that Spirit."¹⁵

From the earliest Christian communities (ancient and medieval) to the Levellers of the sixteenth century and the Christian Socialists in the nineteenth century, giving and sharing with others the fruits of the earth and the product of one's labour was seen to be the basis for the Christian Community as founded by St Paul. Their early experiments did not survive and we live today in an even more complex world than the one they inhabited. However, the greater complexity of the modern age brings with it in cultural, economic and technical terms, much greater prospects for the successful practice of St Paul's ideas.

The close relationship between Christianity and Co-operation has, at least in terms of individual motivation, been apparent. The Co-operative Movement at its outset was inspired by religious vision. The pioneers, like Saint-Simon in France and Robert Owen in Britain, though in Owen's case cut off from established churches, believed that co-operation in industry must go hand in hand with the renewal of human spirit and,

"..In the mid-nineteenth century the Christian socialists, led by Maurice and

15. Fleming, Dick: Redemption in the Light of History, Hodder and Stoughton, London, 1921, pp301-307

Ludlow were founding workers' co-operatives and publishing tracts in which they proclaimed that co-operation - or "partnerships" - in industry is an outward expression of Christ's law of love." ¹⁶

Writing of the contribution of the Christian Socialists in the nineteenth century Catherine Webb tells us that;

"They pressed home St Paul's doctrine of solidarity, that if one part of a community suffers, the whole must suffer ... and whatever angry things said in the name of Socialism, its essence was the principle of association, the principle of acting together for the common good; and that this was none other than the root principle of Christianity, formulated in the great saying, Thou shalt love thy neighbour as thyself." ¹⁷

Perhaps co-operation can become both the way into God's Kingdom and the way in God's Kingdom. Perhaps the old Christian Socialists as they gathered for the Co-operative Congresses in the nineteenth century were correct to choose "Jerusalem" as the hymn of the Labour Movement. To redeem is to get back that which is lost. In chapters 7 and 8 the The Radical Economists show how Labour had been separated from its product under Capitalism. Later Marxist writers in the twentieth century have gone on to show how the Capitalist Labour process has sought progressively to wrest control of the organisation and pace of work until instead of the

16. *ibid* pl

17. Webb, Catherine Industrial Co-operation - The story of a Peaceful Revolution, The Co-operative Union Ltd., Manchester, 1907, pp72-73

tool being an extension of the worker; the worker became an extension of the machine.¹⁸ Often with recurrent trade cycles many workers were denied and are being denied currently the opportunity to work at all. Capitalism has not just taken away the product of labour it has, through its progressive strategies in the organisation of labour, sought to destroy labour's sense of solidarity as well. Without this labour will never regain its lost product or realise the vision of the New Jerusalem.

Effectively, St Paul taught the same message of redemption as co-operators the world over teach. To get back what has been lost requires giving what you have, not taking what others have. This involves sharing others' burdens in order paradoxically to lighten our own burdens. If the Christian community of St Paul was a suffering community it was also a triumphant and joyous community. It was a community endowed with meaning and purpose for its existence. Today it could, if the spirit were rekindled, become a community of unparalleled opportunities and resources. It is important to underline, however, the fact that it is the concept of St Paul's Christian Community not the ancient practice of it that we need to translate into modern conditions. There can be no going back - even if such a thing were desirable - to the ancient past.

18. Braverman, H. Labour and Monopoly Capital, Monthly Review Press, London, 1974

Large scale, capital-intensive plants for mass production are the required scale in the modern economy. But the democratic government of co-operatives and the common ownership principle that goes back to William Pare in the 1830s (see chapter 3) does provide an appropriate framework. Small scale Christian Communities and Co-operatives do exist but we need different structures, at least in terms of scale, if we are to provide a Co-operative solution to the problem of the redemption of labour in the 20th Century.

2.5 Summary - Christianity and Co-operation

Reference has been made to a number of commentaries that have argued that Socialism and Christianity have ideas in common - points of similarity. However the concern here is the way they compliment rather than parallel each other.

The point of intersection between the Christian project of human salvation and the Socialist project of economic liberation may be represented in terms of the concept of Redemption.

Both the Socialist and the Christian dimension of this concept find their material expression through social and economic common ownership.

Men can and do transcend their material conditions and interests. Socialists and reformers in general also have to accept that very often men can equally sink beneath the weight of these conditions. Christianity can provide a spiritual and ethical social practice

that sustains the Co-operative project. Socialism points Christianity towards a renewed social and economic context in which to establish itself. In the practice of Co-operation a new form of building institutional links into an otherwise divided and fragmentary society is provided which needs Socialist and Christian insights if it is to have any chance of success. Any act of opposition to the predominant mode of economic organisation that cannot be demonstrated as deterministically connected can only be the result of moral judgement. That is someone, who on the basis of an examination of his or her present, conceives a vision of a better place and a better future and acts to bring this about. The proposal to return to a concept rooted in a pre-capitalist period of religious practice therefore, is in order to enable a decomposing and "over-determined" social class to come to terms with its predicament, and find a way not of legitimizing the present but of ushering in the future.

Nor may the times of St Paul be as far removed from our own as might be thought. There may be some broad similarities between the ancient mode of production (when St Paul preached and worked) and the capitalist mode of production in its contemporary phase. Both present highly bureaucratic cultures, hierarchial, dependent on an arms economy, cosmopolitan in social composition, highly socially fragmented into sub-cultures with an urban poor lacking cohesion and prone to riot. Even on the technological dimension there are parallels - the Roman word for slave

literally translated means 'vocal machine'.

How do we explain the success of Christianity - The enormous hold it maintains in the hearts and minds of millions of people from first century slaves to twentieth century astronauts, and the massive outpouring of art and literature that it has inspired? The centrepiece in its drama is its claim to explain and foretell human history and human destiny. Further, it is not an exaggeration to say that no other major religion is so man-centred, and socially orientated, as Christianity. Even God Himself becomes Man in order to redeem mankind. The "truth" of Christianity is a matter of faith, but the beneficial consequences of its social doctrines are, we would argue, a matter of reason.

PART TWO: THE EARLY MOVEMENT TO ESTABLISH THE
CO-OPERATIVE COMMONWEALTH

CHAPTER 3 - THE COMMUNITARIAN BEGINNINGS

3.1 Introduction

The inclusion of an historical account of worker co-operatives in a theme concerned with the political-economic aspects of this subject perhaps requires some explanation and justification. In some sense the whole starting point - the definition of the problem and the shaping of questions is itself the product of historical experience. Secondly, and closely connected to this first point, is the fact that worker co-operatives have never simply developed as a result of isolated initiatives by individuals. Outside agencies and people not directly engaged in the co-operative business have been heavily involved in their promotion and development. Hence the word movement in this sections title. Social and reforming movements have their starting point in a critique of existing economic and social conditions. Ideology as it is defined in chapter one plays a crucial role in shaping this critique and the form of the solution derived from the critique itself. This is particularly true in a consideration of worker co-operatives.

Thirdly, the very fact that there is a history to consider - spanning at least a century and a half suggests that any evaluation of current strategies, let

alone the future potential of worker co-operatives, should reflect on the activities and pre-occupations of the previous generations of worker co-operative activists. This is important to learn lessons, establish parallels, possibly to detect trends and opportunities and lastly, but certainly not least, to draw inspiration for the present endeavour.

There has been no thorough and authoritative history of the worker co-operative movement written this century. Catherine Webb mentions their development in Industrial Co-operation (1929)¹, although the book's main concern is with the consumer co-operative movement as is G D H Cole, A Century of Co-operation (1944)². Both authors devote some considerable space to worker co-operative movements, however, particularly to the Owenites, Redemptionists and Christian Socialists. An earlier work by Ernest Aves, Co-operative Industry (1907)³ deals with similar themes but is closer to the period upon which the two latter works refer and as a result reflects for longer on the issues and controversy surrounding the worker co-operative movement. The work by Aves acknowledges the material of J J Dent who was responsible for the last major survey of co-operative

1. Webb, Catherine Industrial Co-operation, Co-operative Union Ltd. Manchester, 1929

2. Cole, G D H, A Century of Co-operation, George Allan and Unwin Ltd, London, 1944

3. Aves, Ernest, Co-operative Industry, Methuen & Co, London, 1907

production undertaken by a government department (The Board of Trade in 1901)⁴ before the Government-funded Co-operative Development Agency commenced its much more limited Directory of Worker Co-operatives⁵ in 1980. R G Garnett's, Co-operation and the Owenite Socialist Communities in Britain 1825-45 (1972)⁶ gives the most recent and authoritative account of the communitarian beginnings of the workers' co-operative movement but stops after the analysis of the three major Owenite Communities.

There are two "official" histories of the Co-operative Movement in Britain - Hall and Watkins, Co-operation, (1934),⁷ and its successor by A Bonner, British Co-operation, (1961)⁸ Bonner compresses to a bare outline all reference to the productive side of the movement although he considers the reasons for their

4. Board of Trade, Report on Workmen's Co-operative Societies in the United Kingdom, H M S O, London, 1901, Cd 698. The period between this report and the 1970's has been the subject of extensive research and analysis by Derek Jones and I shall be examining this work later in the chapter

5. Co-operative Development Agency, Co-operatives: A Directory of Industrial and Service Co-operative, C D A, London, 1980

7. Hall F and Watkins W P, Co-operation, Co-operative Union Ltd, Manchester, 1934

8. Bonner A, British Co-operation, Co-operative Union Ltd, Manchester, 1961

6. Garnett R G Co-operation and the Owenite Socialist Communities in Britain 1825-1845, Manchester University Press, Manchester, 1972

failures in some detail. The assumption is throughout that the movement is principally about retailing and that this was the case following the Rochdale Societies introduction of dividend on purchase in 1844. However, even in this respect Rochdale was not a "first". Cole in A Century of Co-operation (pp 67-68) refers to a number of earlier societies and co-operative publications adopting the principle. The earlier history by Hall and Watkins devotes a complete chapter to the Christian Socialists but both historians present Producer Co-ops as having failed for purely internal reasons. Neither give very much space to the bitter power struggle, and only brief mention of the ideological struggle, that took place within the Co-operative Movement from 1870 to 1886. I shall examine these issues later in chapter 5.

Further analysis of the history of the worker co-operative movement can be found in Chapter 2 of Derek Jones' Doctoral Thesis, The Economics of Co-operation. A summary of its main findings was published in chapter 2 in The New Worker Co-operatives⁹ I rely heavily on this research for the materials relating the first half of the twentieth century in my own historical analysis of the movement. W P Watkins however, has produced a useful starting point for a history with his survey of the key phases of

9. Coates, Ken ed., The New Worker Co-operatives, Spokesman Books, Nottingham, 1976

international development in Bulletin 26, February 1976, The Society For Co-operative Studies entitled, "Workers Participation in Co-operatives. The Assumptions and Historical Background".¹⁰ The most recent work to analyse in detail the available source material on the worker' co-operative movement is P N Backstrom's biography of Vansittart Neale entitled Christian Socialism and Co-operation in Victorian England) and this naturally takes us no farther than the great man's death.¹¹ The last attempt at a complete history of Worker Co-operation was B Jones "Co-operative Production" published in 1894.¹² This gives some interesting detail and source references but provides little in the way of analysis. A similar account covering the twentieth century is still waiting to be written. Thus at the outset it must be admitted that what follows must be regarded as provisional in the extreme being heavily dependent on secondary sources. What this chapter attempts to do is to sum up and interrogate the available evidence as a point of departure for our analysis.

10. Watkins, W P, "Workers' Participation in Co-operatives. The Assumptions and Historical Background", in Bulletin No 26, The Society For Co-operative Studies, Loughborough, February, 1976

11. Backstrom, P N, Christian Socialism and Co-operation, in Victorian England, Croom Helm, London, 1974

12. Jones, Benjamin, Co-operative Production Clarendon Press, Oxford, 1894

In her book "Industrial Co-operation", Catherine Webb identifies four periods of co-operative development and for each period gives a resume of the principal developments among producer or worker co-operatives - 1824-43; 1844-63; 1864-83; and 1884-1910. Below is a table comparing Catherine Webb's periodisation of worker co-operative development with that of Will Watkins' stages (Society of Co-operative Studies, Bulletin 26).

Worker Producer Co-operatives

Historical Periods of Development

<u>Catherine Webb (1929)</u> <u>Period 1 1824-43</u> Period of Owenite experiments - Communities	<u>Will Watkins (1976)</u> <u>Phase 1</u> Struggle of independence for the craftsman - Backward looking to a 'golden age'.
<u>Period 2 1844-63</u> Accumulation of Capital Redemption Societies - Corner shops and Christian Socialists.	<u>Phase 2</u> Workers in control of industries Philipp Buchez Saint Simon, Dr William King.
<u>Period 3 1864-83</u> Association of Producers	<u>Phase 3</u> All co-operation aiming at building up collectively owned capital with which to acquire control over economic destiny. (1820's - 1840's)
<u>Period 4 1884-1910</u> Co-operative Co-Partnership	<u>Phase 4</u> In UK Self Help Christian Socialists use of private philanthropy contrasted with thought of Louis Blanc on continent. (1840's- 1860's)
	<u>Phase 5</u> 1880's-1900's Producer Co-operative Federation on continent governments supported co-operatives.

Phase 6

Stagnation and decline in UK
growth in Third World/
Empire (Inter-war Years).

Phase 7

World Development Movement in
Third World - growing
interest by professional
classes. (Post-war).

Watkins' phases 1-4 concentrate on the development of Co-operative Theory whilst his last 3 phases relate to practical developments. Webb's periods appear to be related to practical development but in fact she introduces much of the theoretical debate into her descriptions of the times. Cole deals with the Christian Socialists and Redemptionists in the same chapter presumably because of the overlap in time between the two movements whereas Watkins does not mention the Redemptionists as such, but does mention their key idea - the need to accumulate capital in order to gain deliverance from capital's power, as a separate prior stage of development from that of the Christian Socialists. There was some interaction and overlap between Christian Socialists and Redemptionists and also some overlap between Redemptionist ideas and activists and the Owenites.¹³ The historical periodisation chosen here will broadly follow that of Catherine Webb but will in chapter 5 bring together the

13. Catherine Webb writes of the Redemptionists, "The Redemption Societies of this period must be mentioned here, although rather survivals of the old spirit than leader of the new movement", in Industrial Co-operation op cit, p19

1860-1883 and 1884-1910 periods. In addition 1821 rather than 1824 may be arguably a better beginning as it is the year Robert Owen published his ideas of a new system of society and it was in this work appearing in The Economist that was first coined the phrase 'co-operative society'.¹⁴ It is proposed to trace the history of Producer or Worker Co-operation through the following stages:

1. The Communitarian Beginnings 1821-1846
(This Chapter)
2. The Redemptionists 1847-1854 and The Christian Socialists 1855-1939 (Chapter 4)
3. Co-partnership and the Growth of Consumerism 1855-1939 (Chapter 5)
4. The Contemporary Worker Co-operative Movement 1950 to date (Chapter 10)

The break in continuity of chapters between stages 3 and 4 above is to enable the political economic issues raised by the early Labour Economists to be evaluated in the light of these historical movements for workers' co-operation. Thus a rounded picture in terms of both the history of ideas and practice will have been presented and against this backcloth contemporary developments may be evaluated.

3.2 The First Co-operators

Any reading of the literature giving an account of the history of Britain during this first half of nineteenth

14. Webb, C, op cit, p54 .

century industrialization gives a clear picture of social dislocation, forced migration into growing urban centres, poverty, disease and long hours of hard labour with low pay and little job security for men, women and children alike. The first quarter of the century had, added to these miseries, a harsh political oppression that had, with the repeal of the Combination Acts in 1824, barely begun to be liberalised. It is therefore a fact of historical record that the co-operative movement had its original impetus from a critique of contemporary industrial society.¹⁵ As such the co-operative movements inspiration was political in it's objectives - not political in a party political sense - in fact for a long while many co-operators claimed neutrality in party politics - but political in the sense that their aim was to subvert the status quo in society to reform, indeed, to radically revolutionize the relations of production upon which Britain's industrial revolution was based. The ideological justification for this objective has always had a "dual" root; on the one hand secular anti-clerical rationalism and humanism - Robert Owen and Jacob Holyoake are notable representatives of this strand. The other is Christianity in its many philosophical and theological expressions. Within the protestant tradition the non-conformists were

15. Cole, G D H and Filson, A W, British Working Class Movements Selected Documents, 1789-1875 Macmillan, London, 1965

particularly active often going from temperance meetings to co-operative meetings and seeing both as having a similar pastoral objective of inculcating Christian virtues in the poor.¹⁶ However, non-conformist Christianity has always had a serious challenger in Catholicism both Roman and Anglican (after the Oxford Reform Movement led by Pusey and Newman) for the allegiance of the very poorest strata of the working class.¹⁷ Among the leaders of the Co-operative Movement there are a number of notable Christians. Dr William King in Brighton and Vansittart Neale, who later on in the century was to be a tireless advocate of worker co-operation against the rising tide of the consumer movement, are perhaps the most influential. But there is also Ludlow (Christian Socialist and later Registrar of Friendly Societies) and Mitchell (Chief Executive) of the CWS.¹⁸

"Thus in these years there were three strands in the co-operative movement, from a religious standpoint:

a) The surviving exponents of Owenism, for whom 'co-operation' was the name of one aspect of a profoundly revolutionary attempt to transform civilization. Despite the rationalism of Owen himself, many of these

16. Mayor, Stephen The Churches and the Labour Movement Independent Press Ltd, London, 1967, see chapter 3

17. Kirby, Gresham, "Kingdom Come: the Catholic Faith and Millennial Hopes", in Essays Catholic and Radical ed. Leech K and William R, The Bowerdean Press, London 1983. F D Maurice was a prominent Anglo-Catholic who was particularly influential on Vansittart Neale and the Christian Socialists

18. Mayor, Stephen, op cit, ppl53-154

were tinged with religion, mostly more or less unorthodox.

b) The Christian Socialist tradition, influenced by Owenism and in some ways as revolutionary in intention, but with an orthodox theological basis, for Maurice (Christian Socialist founder) was fundamentally orthodox, despite all appearance to the contrary. This movement was basically Anglican. Through Lloyd Jones it had links with the Owenite tradition, and even with its anti-religious element represented by Holyoake.

c) The northern consumers' movement, which rose and flourished as the other traditions declined. This was chiefly Nonconformist, but whereas the trade union Nonconformists were chiefly Methodists, these were more generally Congregationalists and Unitarians."¹⁹

This dualism in ideology is aptly demonstrated by Mayor when he writes,

"At the Left-wing extreme, from the religious point of view, stood Holyoake and his Secularism. He was a dominant figure in all co-operative assemblies from about 1840 to the end of the century, and the co-operative movement presents the interesting spectacle of such men as Neale and Ludlow, whose whole motive was theological, sitting down in committees not only with the Nonconformist Mitchell, but also with the Secularist Holyoake."²⁰

The common theme that united these two strands - secular and theological was moral indignation at the conditions of working people and a deeply held Victorian belief in the value of moral improvement as well as material improvement. Prior to his successes at developing a new school system in New Lanark, Robert

19. *ibid*, pp156-157

20. *ibid*, p156

Owen himself had published two essays entitled "Essays on the Formation of Character".

"It was education however, particularly of the children, on which his heart was set, for he believed that the characters of men, and hence the characters of communities, was created by the nature of their institutions and of the education which they have received from the start..."²¹

Thus there are strong grounds for claiming that early co-operators held there was need for a personal moral revolution as an essential part of the economic and social revolution. The early co-operators saw the co-operative organization of industry as a material expression of either Humanistic or Christian values in response to the prevailing de-humanising and degrading organization of industry that had arisen.

By the end of the first quarter of the nineteenth century the Factory System had been firmly established in Britain. It was this that gave birth to an urban industrial working class devoid of land and other materials essential for the maintenance of their subsistence. This class was totally dependent on capital for its own maintenance. The initial powerlessness and repressed position of the working class (Six Acts, Combination Acts, etc.) led to the most terrible human misery and deprivation.

From Robert Owen, "Observations on the Effect of the

21. Cole, M et al, Robert Owen. Industrialist, Reformer Visionary 1771 - 1858, Robert Owen Bicentenary Association, London, 1971 p9

Manufacturing System", 1815. (Reprinted in "A New View of Society and Other Writings", by Robert Owen, edited by G D H Cole, Everyman's Library, 1927).

"The general diffusion of manufactures throughout a country generates a new character in its inhabitants; and as this character is formed upon a principle quite unfavourable to individual or general happiness, it will produce the most lamentable and permanent evils, unless its tendency be counteracted by legislative interference and direction.

The employer regards the employed as mere instruments of gain, while these acquire a gross ferocity of character, which, if legislative measures shall not be judiciously devised to prevent its increase, and ameliorate the condition of this class, will sooner or later plunge the country into a formidable and perhaps inextricable state of danger."²²

It was during the 1820's that a theory was developed that attempted to give justification to workers' discontent. Owen's 'Report to the County of Lanark' (1821) clearly formulated a labour theory of value. Writers like Hodgskin, Thompson, Bray and others, known collectively as Ricardian Socialist or Labour Economists all wrote upon this theme.²³ Profit-making they believed could be eliminated by mutual co-operation or association between labourers. Thus radical political economy both from the pen of Robert

22. Cole, G D H and Filson, A W , op cit, pp8-10

23. Hodgskin, Labour Defended (1825), Popular Political Economy (1827) and Thompson, W. The Principles of the Distribution of Wealth most Conducive to Human Happiness (1824), Labour Rewarded (1827) Practical Directions for the Establishment of Communities (1830), see Cole and Filson.

Owen and latter writers lay at the very root of co-operative strategy. The economic theory developed by the English Labour Economists and taken up in part at least by the co-operators of these times will be examined in part three.

It must be stressed that Robert Owen and the more radical theorists that followed opposed violence and revolution as a means to instigate change. Indeed they are on record for recognising in co-operation a strategy which would head off an otherwise inevitable violent eruption.

"...the main corpus of Owenite thought was profoundly conservative in its emphasis and tone. In the first place, the labour theory as enunciated by Owen fell very far short of its later refinements at the hands of the Ricardian Socialists - Thompson, Hodgskin, Gray - and of Marx and Engels. Whether or not Owen borrowed the idea itself from Ricardo or Adam Smith - for in one form it was to be found in the pages of the Wealth of Nations - it contained few revolutionary implications. For even if Owen had begun by announcing that 'manual labour, properly directed, is the source of all wealth', he had ended by implying - and thereby creating ambiguity and confusion - that capital was in its own right a factor of production and could justly claim a share in any profits that were made...But perhaps a better indication...of the essential conservatism of Owen's early works was in the type of audience he was catering for."²⁴

Owen himself originally hoped to persuade the ruling class to support his ideas. Owen's idea was for

24. Treble, James H. 'The Social and Economic Thought of Robert Owen' in Robert Owen. Prince of Cotton Spinners, ed John Butt, David and Charles, Newton Abbot, 1971, pp41-42

co-operatively run and owned communities to provide an answer to the problems of unemployment and urban decay and demoralization. The harsh factory conditions, child labour, long hours and unhealthy environment, coupled to the break-up of the rural community, were seen as the causes of the misery and decay in the working class districts of the industrial towns during this period.

Writers like P Gaskell in Artisans and Machinery: The Moral and Physical condition of the Manufacturing Population considered with reference to Mechanical Substitutes for Human Labour, (1836) saw co-operative communities as a means of restoring security, status and identity to working people - matters for which a high wage alone cannot satisfy. Such views continued to be expressed right across the nineteenth and twentieth century and up to the present day. For example Harold Taylor in Producers Co-operation: What Workers Control has done, CCPC (undated but probably around 1920's) listed their main achievements as - Security of employment - Justice in reward for Work - Individual status.

The reality of life in the early nineteenth century town and the hope for the new communities was starkly sketched in the following letter...

"The Contrast. From a letter published in the London Newspapers of August 9, 1817. (Reprinted in "The Life of Robert Owen by Himself" (1858), vol. ia. p 89). We will very hastily and sketchily sketch the contrast.

In the Manufacturing Towns - the poor and working classes now usually live in garrets or cellars, within narrow lanes or confined courts.

In the Proposed Villages - the poor and working classes will live in dwellings formed into a large square, rendered in every way convenient, and usefully ornamented.

In the Manufacturing Towns - they are surrounded with dirt, enveloped in smoke, and have seldom a pleasant object on which to fix their eye.

In the Proposed Villages - they will be surrounded by gardens, have abundance of space in all directions to keep the air healthy and pleasant; they will have walks and plantations before them, within the square, and well cultivated grounds, kept in good order around, as far as the eye can reach.

In the Manufacturing Towns - parents are oppressed with anxiety to secure the means of subsistence for themselves and children.

In the Proposed Villages - in consequence of the principle of mutual co-operation being understood and practised to its full extent, the necessaries and comforts of life are enjoyed by all in abundance."²⁵

Owen's emphasis tended to be paternalistic and concerned to educate the working classes. During Owen's absence in America where he attempted to found the Community of New Harmony, the London Co-operative and Economical Society (1821) became the main propagandist body, and in 1826 started the Co-operative Community Fund Association, to raise money for an Owenite community.

In 1827 the London Co-operative Society set up a retail store to help build up this fund. But these early

25. Cole, G D H and Filson, op cit, pl95

London Co-operators were not going to wait until sufficient capital had been accumulated to purchase the land for a separate village community so strongly advocated by Owen but decided to set up a community right in the heart of London. Catherine Webb recounts that...

"The proposals of this committee throw interesting light on the ideals of this period, which favoured the formation of a communal centre in the heart of London, without waiting for the organisation of a complete and separate village community so strongly advocated by Owen."²⁶

The managing committee recorded their view in their paper, The Economist in 1821 that if

"...each male adult member pays one guinea weekly to the general fund...we are satisfied that the collective sum will provide the whole establishment with all the necessaries and many of the comforts of life in abundance, and at the same time furnish a power for the purpose of production and traffic, which we feel confident will gradually lead to independence"(My emphasis)²⁷

The average labouring wage at the time was far below this figure. This meant that contribution would have to be met at least initially by richer benefactors as a guinea a week was not a practical proposition.

Catherine Webb records that after four months the committee had to admit that the plan was over-ambitious and instead a resolution was passed establishing the

26. Webb, Catherine, op cit, p54

27. ibid p56

store as a start towards the necessary accumulation of capital. The resolution gave a detailed account of how transactions in the shop were to be managed but the last three paragraphs give clear testimony to the fact that retailing was seen as a starting point meant to lead into manufacture and separate communities.

"That the members undertake to study in all things the interest and welfare of the Society at large, and engage to induce their wives and families to do all in their power to promote the general domestic comfort and happiness of themselves and their co-associates.

That, with this view, such of them as reside near together be encouraged to form arrangements for co-operating in the care of their dwellings and the superintendence and education of their children; and that, as soon as possible, arrangements be made for periodical meetings of the whole Society with their families for the purposes of mutual instruction, and of rational recreation and amusement.

That the Society keep constantly in view, as one of their ultimate and most important objects, next to the general extension and introduction of the principles on which they are united, the acquisition of an establishment in which they may unrestrainedly proceed upon the plan of social arrangements projected by that great benefactor of mankind, Mr Owen, of New Lanark."²⁸

The concept of retailing as the best means of gathering capital for the liberation of labour was given a fresh boost in 1828 when Dr William King who had started a retail store in the same year as the London Co-operative and Economical Society published his paper The Co-operator which continued until 1830. The

principles for the successful establishment of a Co-operative set down in this paper by Dr King became the guide to others working in this field. Some people put the paper into bound volumes. James Smithies one of the famous Rochdale Pioneers owned a bound volume of King's "The Co-operator" and the Rochdale Society of 1844 was clearly influenced by King's ideas. In addition, King was in many ways a forerunner of the Christian Socialists of the 1850's. King thought that Co-operatives would be a stabilising element in society and was opposed to class war, he urged workers to rely on their own efforts through mutual aid to alleviate their conditions.²⁹ He also saw the importance of going into production. In 1828 Dr King wrote:

"But as the wants of the members are limited, there will be a time when capital will exceed what the shop requires. When this period arrives the Society will ask themselves this question - What shall we do with our surplus capital? The answer will be - Employ one of your own members to manufacture shoes, or clothes, etc. for the rest; pay him the usual wages, and give the profits to the common capital. In this way they will proceed, as the capital increases, to employ one member after another, either to manufacture articles consumed by the members or by the public. Beginning to manufacture for the members the sale is sure. When the capital is able to produce more goods than the members can consume, they must manufacture those articles which are in demand by the public at large."³⁰

29. Bonner, A, British Co-operation, p27

30. Webb, Catherine, op cit, p58

Note King is not advocating here either dividend on purchases or profit sharing, but simply the accumulation of capital with which to employ more members - not employees of the society but the Societies members who are seen as trading with the Society for precisely this end. Presumably once manufacture for the public took place further accumulation of profits would enable the further employment of members and the growth of membership and the size of the Society itself.

THE FIRST CO-OPERATIVE CONGRESSES

The 1830's saw attempts to organise a National Co-operative Movement and a series of eight Co-operative "Congresses" were held, the term "Congress" being borrowed from America.

The Congresses were held as follows:

				Chairman
First	Manchester	May 26-28	1831	E Dixon
Second	Birmingham	October 4-6	1831	R Owen
Third	London	April 23-May 1	1832	R Owen
Fourth	Liverpool	October 1-6	1832	T Hirst
Fifth	Huddersfield	April 8-10	1833	R Owen
Sixth	London	October 7-12	1833	R Owen
Seventh	Barnsley	March 31-April 4	1834	R Owen
Eighth	Halifax	April 20-21	1835	R Owen ³¹

The third Congress (London, April 23rd to May 1st 1832, Chairman R Owen) was said to be the most important in that it adopted a set of model rules.

1. The ultimate objective of all co-operative societies was a community on the land.
2. Capital to be built up by weekly subscriptions.
3. Trade, once commenced, was to be on the basis of purchase wholesale and sell at retail market price.
4. Provision was to be made for mutual employment of members as well as schools, libraries and reading rooms.
5. Capital should be indivisible. All profit being allowed to accumulate.
6. Credit should neither be given or taken.³²

Rule number 5 above that capital should be indivisible was ignored by the consumer co-operative movement that grew out of the popularization of what became known as the Rochdale Principles. This principle was held to be of the greatest importance by men such as Neale and Ludlow of the Christian Socialists and remains today a matter of some debate within the contemporary worker co-operative movement. The Industrial Common Ownership Movement for example insists on this principle.

Catherine Webb seeks to explain the causes of failure of these earlier societies in the following terms,

..."None of the Societies, however, appear to have attained any great or prolonged success. The difficulties in the way of association at that time were undoubtedly great. The absence of education among the workers, and of legal protection for the

funds of the societies; the necessity of carrying on their trade through irresponsible agents, and the general inexperience of the workers in the technicalities of buying and selling, together with the natural opposition of the private traders, render it a matter for little surprise that very few of the societies survived, and that none developed into the self-supporting communities aimed at by their enthusiastic promoters."³³

Webb goes on however to quote from the records of the 1832 Congress to underscore the point that the failure could not all be laid to rest on institutional/legal and economic factors. The quality of co-operative members and their attitudes left something to be desired as well. "The picture of members who walk themselves out when things appear to be going wrong is as fresh as if painted today (1929) and as true to life!"³⁴ The co-operators report to which Webb was referring made the following points:

"A leading co-operator reporting to the Congress of 1832 upon the failure which had then taken place, spoke at some length on the subject, and enumerated the causes of failure as follows:-

The first cause has been a want of union and active co-operation among the members.

They have neglected their meetings, failed to make themselves properly and familiarly acquainted with the principles and proceedings of their Society, and left the management of their concerns to a few individuals.

Another cause of this failure has been the existence of a spirit of selfishness amongst them - a spirit which has been engendered in some degree, perhaps, by those societies

33. Webb, Catherine, op cit, p59

34. ibid p59

themselves. Shopkeeping has no tendency to improve either their principles or their morals. In the next place there has been a general neglect of business on the part of the members. They have not audited their accounts, diligently looked after the purchases made for them, or superintended and regulated the stock.

Another cause has been the members not dealing at their own stores. It was not to be expected that the trading societies should answer their ends if the shop were deserted by its own proprietors.

Another difficulty attending these societies, and which has tended to render them abortive, is the great responsibility that attaches to the trustees, whilst there is no bond of union with the members.

The trustees take upon themselves the responsibility of paying all accounts, and answering all demands upon the Society. The members, on the other hand, take upon themselves no responsibility; and if the Society should be found unprosperous they walk themselves out, leaving the trustees with all the responsibility and a losing concern. The incapacity or dishonesty of storekeepers or managers has also been a cause of loss and failure."³⁵

These issues, of the legal environment, technical/commercial expertise, and attitudes and values of members will be found to recur at future post mortems on Worker Co-operative development.

3.3 The Early Trade Unions and Worker Co-operatives

Many Co-operative Societies during the 1830's were associations of workers drawn from the same trade. They provided members with materials to work on with the ultimate objective of employing all the members. Between 1830 and 1834 there was a considerable amount

of co-operative production. These ventures were almost entirely made up of skilled artisans, who could more easily collect the capital required and were not dependent on outside technical help. The average trade unionist, as the extract below indicates, favoured co-operative production more as a short-term means of strengthening his hand vis-a-vis the employer rather than a long-term project to realise his economic and political liberation. From the Pioneer, March 29th 1834, p 271. (The Pioneer was a militant trade union journal of this period).

"Sir, I stated, some few weeks ago, that the members composing the Trades' Union of Leicester had begun to manufacture for themselves. The principal reasons why the operatives have taken this step is, they have long felt convinced that so long as men are taken on the funds, and kept in idleness, so long the employers will care nothing for a Union; but, find employment for the men, and it will very soon bring the masters to their senses. (My emphasis) We have a good assortment of all sorts of worsted and cotton stockings; coloured worsted; white and brown cotton do., for the females in Union; black worsted, white and brown cotton stockings of every description, well fashioned, in quality very superior; also, men and women's white cotton gloves, with the letter U in the middle of the hand, the gloves are beautifully figured on the back of the hand. Two rooms are open at Mr Chappell's sign of the Trades Union, as a depository for materials, and the sale of manufactured Union Goods wholesale and retail. We have a good Unionist turned out of work by his employer, who has begun to manufacture blacking of good quality, the lesser pots sixteen for one shilling; and we sincerely hope the members composing the great consolidated Union will give us all the encouragement they possibly can. Direct for Thomas Hartopp, Joseph Hurst, or Benjamin Norfolk, at Mr Chappell's sign of the Trades' Union, Bone Street,

Leicester. Yours etc. Thomas Hartopp.
 Leicester, March 18, 1834." ³⁶

The main problem was how to dispose of the products. Labour Exchanges or Labour Bazaars appeared to be a solution and a number were opened in London, Birmingham, Glasgow and Sheffield. These led Robert Owen to set up a system of National Equitable Labour Exchanges in Grays Inn Road, London in 1832. At the London Co-operative Congress in October 1833 - advertised as The Co-operative and Trades Union Congress - Owen made proposals for a General National Union which was to take up the manufacture of produce and work through the labour Exchanges. The Grand National Consolidated Trade Union was formed in the following February and within a few weeks had grown to at least 500,000 members. However, it is significant that none of the biggest established unions of the day joined. For the Labour Exchanges to have worked there needed to be a national system embracing all kinds of goods. This had been Owen's hope for the 'Grand National'. However, Owen's plans were overtaken by events which destroyed the organisation and offended Owen's paternalistic attitudes. There was a series of strikes and lock-outs. The employers fiercely resisted the Grand National Consolidated Trade Union which lacked the means to support those of its members involved in industrial action. Support fell away as a result and Owen, who closed down his paper, The Crisis

 36. Cole, G D H and Filson, A W, op cit, pp261-262

for advocating class war, was able to dissolve the Grand National in 1834. He replaced The Crisis with a paper called The New Moral World and the Grand National with 'The British and Foreign Consolidated Association for Industry, Humanity and Knowledge'.³⁷

Along with the demise of the Grand National fell the Labour Exchanges. Each depositor of goods received Labour Notes equal to the amount of time it was estimated the commodity should take to make with an additional calculation for estimating the value of the raw materials involved. These exchanges did, according to contemporary writers, such as Holyoake, function more successfully than might have been expected. The main difficulty lay in their being totally unable to solve the supply of foodstuffs which was precisely what most depositors wanted to exchange their product for. However, G D H Cole notes that:

"Many tradesmen accepted labour notes in payment for their own wares and spent them at the Exchanges; and there is no evidence that wrong valuations played any considerable part in the collapse of the movement. The Birmingham Labour Exchange actually wound up with a profit which it presented to the Cottage Hospital. Whatever the fate of the Exchanges might under other circumstances have been, they appear to have collapsed, in fact, because the foundations were knocked away from under them by a general dissolution of the Trade Union and Co-operative Agencies on which they depended for their customers and their supply of goods."³⁸

 37. Cole, G D H, A Century of Co-operation, p31-33

38. *ibid*, p31

This is rather different from the picture of scandalous failure that Marx presents in an aside in The Poverty of Philosophy (1847).

3.4 The Owenite Communities

One would have hoped that the agricultural based Communities had they thrived might have filled this gap but the movement at this time never grew strong enough to generate them. There were one or two urban experiments in community living and three attempts at Owenite Communities at Orbiston (1825 to 1827), Ralahine (1831 to 1833) and Queenswood (1839 to 1845). All failed, R G Garnett summed up the reasons for their failure thus:

"All three communities demonstrated that the main economic obstacle, which was never satisfactorily overcome, was the heavy capital charge of acquiring legal title to large tracts of land within an industrial economy. Once the communities were established it was difficult to select suitable lines of production not requiring large-scale equipment and yet having a readily marketable output."³⁹

Whilst one has to agree with the logic of Garnett's identification of the main "economic obstacle" (my emphasis), nevertheless, there were other important specific causes for failure as outlined by in both Catherine Webb's and G D H Cole's accounts of the Owenite Communities' failures. For example, Webb notes in reference to the Orbiston Community 1825-27

39. Garnett, R G, op cit, p221

that..."The community had very few elements of lasting success in its organisation and management; people were ready enough to subscribe to the idea of equal distribution, and to join the community, but not so ready to carry out the idea in actual practise."⁴⁰ On the other hand the Ralahine Community 1830-33 appears on both the accounts of Webb and Cole to have been economically successful.

"For two years, from 1831 to 1833, the Ralahine Community cultivated the land in common and punctually paid the rent due to the landlord. Everything seemed to be going well, and there had been a marked improvement in conditions and standards of living among the members, when the whole settlement was forcibly dispersed."⁴¹

The landlord's gambling debts resulted in his fleeing the country for America and the community was unceremoniously evicted for lack of legal title. Cole writes that ... "the life of the Ralahine Community was too short for any judgement to be possible upon its prospects of eventual success, but it was brought to an end not by failure but by forceful eviction". However, Queenswood 1839-44 whilst the longest running of the Owenite Communities clearly did fail as a result of lack of resources to cover extravagant overheads like the building on the site of "Harmony Hall" - the community's residential quarters. Internal dissent was never far from the centre of the stage. Cole records

40. Webb, Catherine, op cit, p60

41. Cole, G D H, op cit, p34

that between 1841-44 the community had four changes of Governor - itself a post established to try to put the community affairs in order. First Owen himself, then John Finch, Owen again and finally John Buxton. The inexperience of the settlers in land work and the heavy capital requirements (funded by outside benefactors and local socialist societies who eventually grew tired of the demands of the community on their resources) led to Queenswood's demise in 1844.⁴² Cole notes that ...

"Thus ended the Owenite Movement, as a movement for the establishment of "Villages of Co-operation" where the faithful could escape from the tribulations of the "old, immoral world" into the purer atmosphere of the New Society. Holyoake and a few others tried to carry on the Rational Society after 1846, and were ultimately successful in recovering from the trustees a part of the money which had been sunk in Harmony Hall. Among those who received some of their money back in the final settlement were several of the Rochdale Pioneers, the names including James Smithies, George Healy, John Garside, William Mallalieu, and John Collier - an interesting piece of evidence of the continuity between the older and the new Co-operative Movements."⁴³

This is an important point because the histories of the Co-operative Movement in their references to the various early co-operative trade union efforts generally characterise them as failed precursors to later more stable and moderate organisations of labour which adopted more limited objectives after 1850.

42. *ibid*, p35

43. *ibid* p36

3.5 Pre and post Rochdale - was there really a new start in 1844?

In almost any text on British Co-operation 1844 - the founding of the Rochdale Co-operative Society - marks the "beginning" of the British Consumer Co-operative Movement. For example Catherine Webb ...

"The plan of association adopted by the Rochdale Equitable Pioneers, by reason of its equity, its adaptability to co-operative transactions and its almost immediate success, has become the distinguishing feature in the development of consumers' co-operation since 1844. A society following this plan is said to be established under the "Rochdale System", and is accounted a genuine unit in the British co-operative movement only insofar as its rules and practices approximate to its model."⁴⁴

Despite his references to continuity G D H Cole also writes in similar vein ...

"Rochdale, where the modern Co-operative Movement was born, was in 1844 a town of about 25,000 inhabitants, with another 40,000 living round about in nearby villages for which the town served as a centre."⁴⁵

For a further example let us quote from Arnold Bonner's British Co-operation, who whilst acknowledging that Rochdale was not the first co-operative society, claimed that ...

"No movement developed from these earlier societies and even if they maintained a continuous life, it was a stagnant one. "It is from the taking down of the shutters of the shop in Toad Lane, Rochdale, in December, 1844, that the effective Co-operative

44. Webb, Catherine, op cit, p70

45. Cole, G D H, op cit, p39

Movement of 19th century industrial Britain .
has always been dated and rightly." ⁴⁶

These assertions as to the origin of the Consumer Co-operation are, however, not quite borne out by the facts. For one thing many of the pre-1844 societies were successful and Brian Jones records that no less than 37 of these survived into the last quarter of the nineteenth century. From the 1840's to the 1860's there were many attempts to continue to establish worker owned and controlled co-operatives. As Philip Backstrom demonstrates many of those setting up second generation labour organisations were concerned to continue the fight for worker controlled co-operatives.

"When the First Co-operative Congress finally met on Monday 31st May 1869, at the Society of Arts, John Street, Adelphi in London, it was strikingly reminiscent of the old Christian Socialist Conference of the early 1850's. The resemblance was no accident; it was dominated by the same men and took up the same issues as those earlier gatherings. The meeting of the Congress represented a clear victory for all of those who, like Neal, sought to inject new life into Co-operation." ⁴⁷

However Backstrom's reference above to the 'First' Co-operative Congress in 1869 is slightly misleading. What he should have written is the first of the newly constituted Congresses since the earlier Congress of 1831-1835.

46. Bonner, A, op cit, pp56-57

47. Backstrom, Philip, op cit, p91

The 1850s after the great exhibition are also portrayed as a period of stability and economic growth when the Labour Movement opted for reforms rather than the Chartist options. However, the founder of the New Model Unions, the Amalgamated Society of Engineers, decided by ballot of its members in 1851 to invest £10,000 in Co-operative Engineering factories. The employers countered and attempted to smash the A S E with the great lock-out of 1852 which swept away A S E funds. Despite little finance the A S E Council made an attempt to employ members during the lock-out.

"From The Operative. 23rd December 1851. The Council of the Amalgamated Society of Engineers, etc., direct attention to the following propositions.

That if the Central Association of Employers carry out their threat of Masters strike, and refuse to conduct the work of the country, it is the duty of working men to take the matter into their own hands and begin manufacturing for the public"⁴⁸

Going back to 1844 and Rochdale for a moment we must not forget that of the 30 originators, 15 were Owenite Socialist and further 10 were local weavers brought into the Co-operative Movement by an earlier failure of a weavers' strike and an attempted flannel weavers productive society. One of the original Board had in fact a bound copy of the editions of William King's "Co-operator". Continuity rather than any break with the past can be clearly seen from the first "Law" of the Rochdale Society which lists their objectives as

48. Cole, G D H and Filson. A W, op cit, p442

follows:

"The objects and plans of this society are to form arrangements for the pecuniary benefit, and improvement of the social and domestic condition of its members, by raising a sufficient amount of capital in shares of one pound each, to bring into operation the following plans and arrangements. The establishment of a store for the sale of provisions, clothing etc.

The building, purchasing or erecting of a number of houses, in which those members desiring to assist each other in improving their domestic and social conditions may reside.

To commence the manufacture of such articles as the Society may determine upon, for the employment of such members as may be without employment or who may be suffering in consequence of repeated reductions in their wages.

As a further benefit and security to the members of this Society, the Society shall purchase or rent an estate or estates of land, which shall be cultivated by members who may be out of employment, or whose labour may be badly remunerated.

That as soon as practicable the Society shall proceed to arrange the powers of production, distribution, education and government, or in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.

That for the promotion of sobriety, a temperance hotel be opened in one of the society's houses as soon as convenient." (My Emphasis)⁴⁹

The similarity with the rules of the London Co-operative Society of 1821 are striking.

The Rochdale Co-operative Society went from strength to strength and became something of a model society. It

49. Bonner, A, op cit, p46

provided dividend on the basis of purchases and refused to trade on credit. In 1850 some Rochdale men attempted to start a Co-operative Corn Mill. Finding it difficult to raise the necessary capital they sought the support of members of the Rochdale Co-operative Society. The Mill became a joint venture between 6 co-operative societies and ninety individual workers. The workers did not manage the mill. However, they did share in the profits. The project was a great success and many new members (shareholders - not employees) joined. By 1862 these new members gained the necessary two-thirds majority and changed the rules abolishing the profit sharing scheme. One of the principal advocates of this move was J W T Mitchell who later became chairman of the Co-operative Wholesale Society. This was the first conscious blow for consumers co-operation against producers co-operation.⁵⁰ In my view this date of 1862 has a far greater claim to mark the beginning of consumer co-operation as such as it represents a clear ideological break with what had gone before. As we shall see after this date consumerism became dominant within the Co-operative Movement but never quite eclipsed those who championed the cause of producers co-operation which maintained a continuous presence within the movement and was rarely not subject to fierce debates in congresses across the last quarter of the 19th Century.

50. *ibid*, p54

The essential continuity is perhaps best expressed in the person of one individual, William Pare. Garnett writes of Pare "... a first generation Owenite, Pare acted as a link between the heroic age of co-operation in the second quarter of the century and the resurgence that came in the 1870's - showing itself in the revival of annual Congresses, the creation of the Co-operative Union".⁵¹ Pare had convened the second Co-operative Congress in Birmingham in 1831; he had travelled to Ralahine seeking agricultural supplies for the Birmingham Labour Exchanges; Governor of Queenswood Community in 1842 he convened the first modern Congress in 1869. Garnett writes that it was at this first modern Congress that Thomas Hughes, MP., claimed that,

"... co-operators would never be content to give up hope of seeing English associatons settling on English soil of their own: I am inclined to think that by a little adaptation the machninery of an ordinary Building Society might be made even now to work out many of the purposes for which land is desired.' The Co-operative Permanent Building Society was founded sometime later and the Co-operative Insurance Company had been launched two years previously to protect co-operative property and funds. The Co-operative Bank was soon to be developed. All of these great co-operative institutions have their roots stretching back to the early Co-operative Movement."⁵²

Dividend on purchases it is true goes back to 1844 but was not consciously connected to the idea of a consumer

51. Garnett, R G. The Ideology of the early Co-operative Movement. Frank Cass and Co, for the University of Kent, London, 25th May 1966, p9

52. *ibid*, p15

movement until the later debates between Neal and Mitchell (see Chapter 5 section 5.2). Today very few British consumer societies pay a dividend and it is increasingly acknowledged that the movement would have been wiser to stick to William Pare's principle that none of the surplus be divided.

"Many of the major institutions of the modern Co-operative Movement have as their inspiration the independence of Labour from Private Capital by socially owned capital. If many of the early leaders had not had this objective in mind a national co-operative movement in Britain may never have materialized. The idea of distributing dividend on purchases contradicted the early 5th rule of the 1832 congress on the indivisibility of capital. It must be added however that in practise dividend did not prevent a rapid accumulation of reserves and capital growth by the C W S once it was established. Although how much farther and faster that growth might have been taken but for dividend is a matter for speculation. Today it is generally accepted by academics and management that attempting to maintain dividend levels prevented post war retail co-operatives from embarking on the capital investment plans they needed to maintain and develop market share".⁵³

However, the relevance and importance of the legacy of the communitarian roots of the workers co-operative movement lie not only in its economic but also in its religious/ethical (in the widest sense) objectives.

"What is the relevance of communities to the present day? There is a constant search for community in the planning of new towns, but there are also important community developments in such varying areas as Ghana,

53. McKinlay, J C "Financing of Co-operative Societies", Bulletin 37, Nov. 1979 pp43-45

Calabria and Israel. The wording of the Gold Coast plan for mass literacy introduced in 1951 speaks in the same language as a hundred years previously: "It is an attack on ignorance, apathy and prejudice, on poverty, disease and isolation and on all the difficulties which hinder the progress of the Community. It is an education ... designed to teach people not merely how to read but how to live." ⁵⁴

Co-operation, therefore, was designed as a means to provide both for the economic independence of working people and for their intellectual, social and spiritual development. This theme we shall find re-emerging in the contemporary worker co-operative movement (see Ch. 11).

54. Garnett, R G, op cit, p14

CHAPTER 4 - THE WORK OF THE REDEMPTIONISTS
AND CHRISTIAN SOCIALISTS

4.1 Introduction

The principal historians of the Co-operative Movement: Bonner (1961), Cole (1944), Hall and Watkins (1934) and finally Catherine Webb (1904; revised 1910; 12th ed. 1929) all make scant reference to the Redemptionists. The reason is not difficult to see. Operating as they did between 1846-1854, they interrupt the supposedly steady growth of the consumer movement of this period. Their widespread activity across the very North of England that is claimed as consumer co-operations territory contradicts, or at least qualifies the claims made by the historians of the consumer movement. Also by minimising their importance it is possible to present what was in fact a nationwide upsurge of interest in workers co-operation across the 1840s and 1850s as an essentially regional experiment based in London and inspired by the Christian Socialists.

Another explanation for the neglect of the Redemptionists may be found in a desire to firstly distance modern social democracy from its own origins in the radical political economy of the 1820s and 1830s so that it may present itself as the real alternative socialism to that of Marx. This radical political economy had promoted socialist, or as more frequently called in those times, communitarian solutions. It was during the 1820s and 1830s that the term communist

first came to be used. Perhaps because of the influence of the Enlightenment's belief in Reason many reformers at the time saw the issue in terms of Reason rather than political struggle; it was a matter of education and rationality. James Hole, the editor of the Redemption Societies Journal, took up this theme (surprising to our modern attitudes) that communism and politics should not be mixed in an address to members in 1848.

"I have always felt it a very difficult and delicate task to mix up politics with communism. I have ever avoided it in the 'Herald', especially so when I have been confirmed by your excellent laws, prohibiting the introduction of politics."¹

Such a position would hardly appear credible in terms of the continental experience of 1848 and the publication by Marx and Engels of the Communist Manifesto. This latter work heralded so Marxists would have us believe a rupture with a socialist utopian past in favour of scientific socialism every bit as clear cut as the social democratic choice of 1844. What we shall attempt to establish is that Marxism borrowed much of the theory but ignored the strategies of these earlier socialists whilst the consumers movement condemned both the strategy and theory. For different reasons, therefore, both these streams of theory and practice have played down the work of the English

1. See The Herald of Co-operation No 19, Douglas Isle of Man, July 1848, p155. (Previously called The Herald of Redemption for the first 3 issues)

Labour Economists, the Redemptionist and Christian Socialist initiatives that continued into the 1850s. Neither Consumer co-operation nor Marxism really became established until the 1860s.

The debates between the Communitarians, Chartists and Trade Unionists in the 1840s was essentially about strategy. All co-operators and other labour movement reformers to the left of the liberals shared the analysis of a class divided society. As Meak has demonstrated such an analysis can be traced to the writings of Adam Smith himself;

"Smith provided Marx (and of course Ricardo) with a model of the new tripartite framework of class relationships characteristic of capitalist society; he formulated a new concept of surplus in which profit was emancipated from its former dependence upon rent and ascribed to the productivity of labour in general; and he outlined a new theory of the development of society and the nature of the socio-historical processes in general which, whether Marx himself was aware of it or not, set the stage for the eventual emergence of the materialist conception of history".²

Labour represented a class devoid of all means of subsistence apart from their labour which appeared (and was) just a commodity, and a commodity that fetched the poorest of returns or often no return at all. This fact and consequences that flowed from it formed the basis of both the English Labour Economists critique of capital and the communitarian and/or associative

2. Meek, R L, Smith Marx and after, Chapman and Hall, London, 1977, p16

proposals that they called for. These ideas were not only current at the time of the Redemptionists they were positively influential. Marx himself underlines this point when he punctures what he maintains to be Proudon's false claim to be the first to call for a society in which exchange took place on the basis of equal amounts of labour.

"Anyone who is anyway familiar with the trend of political economy in England cannot fail to know that almost all the Socialists in that country have, at different periods, proposed the equalitarian application of the Ricardian theory. We could quote for M Proudhon: Hodgskin, Political Economy 1827; William Thompson, An Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness 1824; ... etc."³

John Francis Bray, author of Labour's Wrongs and Labour's Remedies (1839) comes in for particular recognition by Marx later in the passage quoted above although the latter cannot be said to do Bray justice as we will demonstrate in Chapters 7 and 8. G D H Cole sums up Bray's achievement when he wrote;

"... he put together the gist of the English Socialist contribution as no-one has done before".⁴

Marx goes on to take serious issue with Bray's analysis (as he, Marx, presents it) to which we shall return in Chapter 8. It is clear from Thompson's and Bray's own

3. Marx, Karl, The Poverty of Philosophy, Progress Publishers, Moscow, 1955, p60. First published in french in 1847

4. Cole, G D H, A History of Socialist Thought, Vol. Macmillan, London, 1953, pl36

writings that they were influenced by and respected Robert Owen. They, particularly Bray, were concerned not so much to repudiate Owenism as to find a more practical method to achieve its objectives. Whether through retailing or associations of working men or through both mixed in with a small savings strategy co-operation remained in the 1840s and 1850s a movement concerned with the acquisition for the working class of the means of production and distribution.

4.2 The Redemptionists and Owenism

It is in James Hole's discussion of Owenism that we see the essential continuity between the Redemptionists and the earlier Co-operative Movement and at the same time the developing thinking in strategic, organisational and political terms. By 1847, although many Owenites were very much in evidence and Robert Owen himself was held in reverent regard, the Redemptionists, three years after the collapse of Queenswood Community in 1844, were able to talk of "the failure" of "the community system of Mr Owen". But the object of their criticism was not the community idea - they were to found one of their own in 1848 - but the style and approach of the Owenites.

"They imagined, that between a man's having a free will and a decent shirt to his back, there lay some deep connection, and that a man's having his character formed for him, and his procuring bread and butter, stood to each other as cause and effect ... They committed the gross blunder of denouncing sectarian exclusiveness at the same moment that they formed a sect as exclusive as any. They calumniated the world, and the world in

return calumniated them, and denied them the merit which was really theirs. We entirely object to the principle of making the acceptance of any particular metaphysical, or moral, or religious views an essential condition to arriving at sound economics."⁵

The Redemptionist message to co-operators was a simple but powerful one on this respect of Owenism. People are infinitely susceptible to individual differences and this at the level of skills, knowledge, experience, temperament, culture and values. Those who called for such widespread diversity to unite voluntarily and democratically would have to be equally varied and flexible in approach to co-operative organisation if they were to succeed.

"The minds of no two human beings are precisely the same, nor were they ever intended to be the same. The greatest excellence of a human soul is its independence; that its beliefs and disbeliefs, its loves, its dislikes and its sense of obligation, shall arise internally not externally. Opinions cannot be joint stock affairs, but must be the growth of the individual mind. Wherever association attempts to supplant and stand in the place of individual culture or individual responsibility, that association is putting itself in false relations which cannot stand."⁶

There is another subsidiary criticism of Owenism contained in this last sentence and that is the authoritarian nature of the government of Owen's communities. But the need for a variety of approaches rather than the one perfect model was their main

5. The Herald of Redemption, No 1, January 1847, pp2-3

6. *ibid*, p3

point.

"The principle of association or co-operation is susceptible of every degree of application, from the simplest assistance which two men agree to render each other, up to the highest and most refined combination. There is no such thing as a perfected system of association into which society has but to jump, and from which it shall at once reap all the advantages. The degree of association of which men are capable, depends upon the height of moral and intellectual cultivation to which they may have attained. Try to unite the more advanced principles of co-operation with men in a low degree of culture and it will fail."⁷

In this concept of a half-way house between the full blown Owenite Community and the old capitalist relations Hole was indebted to Bray. For as Cole points out;

"Looking to the Owenite community as the goal, Bray wanted to find a half-way house towards it, and believed he had found this in his proposal to enrol the whole people in a series of joint-stock concerns under their common ownership. Previous plans of Co-operation had failed mainly for want of capital: so the workers and such other persons as were ready to help them, must form themselves into companies, raise by small regular contributions the capital needed to undertake production, and thus provide for the social organisation of industry, while also demanding the return of land to common possession."⁸

However, it will become apparent when we examine Bray's writings in some detail in chapter 7 that Cole himself is misrepresenting Bray. The latter is far from being

7. The Herald of Co-operation, No 4, April 1847, p27

8. Cole, G D H, op cit, pl34. Cole is incorrect to say that the Owenite community was Bray's ultimate goal as shall be demonstrated in chapter 7

simply concerned with associations based on community on the land but had a much bigger project in mind and realised the economic drawbacks to Owens scheme. Unfortunately the Redemptionists as we shall see ignored or overlooked this aspect of Bray's analysis and paid a heavy price for their mistake as is demonstrated below.

The myth of 1844 as the 'turning point' has unfortunately been perpetuated even by one historian who claims to find the earlier Owenite communitarian movement more interesting than the consumer movement.

R G Garnett writes,

"After 1844, co-operation became a savings institution. It was not particularly interested in maintaining unemployed members or setting up communities. The movement shed its rationalism and became the working man's counterpart to the nonconformist conscience of the latter nineteenth century. It moved severely away from William Pare's instruction that "nothing in the way of profit of trade shall ever be divided . . . as Community of Property in Lands and Goods as the great object of this Society". The emphasis after 1844 was on self-help rather than neighbour or community; economic independence rather than co-operation."⁹

In his book on the communitarian movement's colonies Garnett ignores completely the Redemptionist Society Colony in the Garmlwyd Estate in Camarthanshire which operated for six years between 1848 and 1854.¹⁰

9. Garnett, R G, The Ideology of the Early Co-operative Movement, p15

10. Garnett, R G, Co-operation and the Owenite Socialist Communities in Britain 1825-45.

Garmylwyd was the last and the longest lived home colony project. Yet little attention has been given to it. Of course Robert Owen was not involved and it does not quite fit in the established time scale of co-operative development. Yet in its day Garmylwyd operated workshops as well as agriculture and for a time supplied produce to the Leeds Redemption Society.

So little has been researched that I am unable to state with certainty why it failed but my hunch is that the primary reason is to be found in the size of the project itself. It overstretched the resources of the Redemption Society and they just could not generate sufficient capital to make it work. Evidence of the pressure it put on their slender resources is to be found in the decision in 1848 to cease publication of The Herald of Co-operation in order to divert all funds to the Estate.¹¹ It is from the last edition of the Herald that one reads just how slender these resources are and a clear note of anxiety that they will not be equal to the task is evidenced.

IMPORTANT MEETING OF THE REDEMPTION SOCIETY

A meeting of the Redemption Society was held in Leeds, on May 31, 1848, at Hall's Temperance Hotel, which was numerously attended. About a quarter to 8 o'clock, Mr

11. The Herald of Co-operation, No 19, p155

David Green, president of the Redemption Society, took the chair, and spoke nearly as follows:-

"Friends, - We have at length arrived at a crisis in our society. Shall we advance or retrograde? See here! Here are deeds signed, sealed, and delivered, of a valuable estate which belongs to you. Are you willing to share the advantages consequent upon so glorious an acquisition to the cause of human progress? We are now in a better position than any society ever established in Great Britain for similar purposes to our own. We have now 160 acres; although there is a mortgage upon them for £1200, yet considering all the capabilities of the land, it is worth at least £40 per acre, so that it is equivalent to a gift of £5000. In addition to this, we have £200 collected by pennies in the Savings Bank. We have the town of Leeds divided into districts, well organized to form a successful movement, and from the system of collecting and calling weekly upon each member, the collectors coming with their accounts each week to the society, an efficient system is thus established, which acts and re-acts upon all. By this system all our members are brought near to us, and we can act simultaneously."¹²

Land already mortgaged to the tune of £1200 and the Society with no more than £200, start-up capital to invest in 160 acres. That they got started was an achievement - keeping it alive for six years was almost a victory! Why wasn't more capital forthcoming for such a project? Well obviously to keep it going six years is testimony in itself to the strength of Redemptionist "grass roots" organisation. Remember Robert Owen's best effort only lasted four years.

Whilst they recognised the dangers of attempting too much too soon with inadequate preparation in terms of

both human and capital resources in the end they succumbed to the temptations offered. The epitaph of the Redemptionists might well read too much Owenism and not enough of Bray. But it would be wrong to leave the Redemptionists before examining their strategy for the accumulation of capital separately from their decision on its investment in Glarmlwyd.

4.3 The Redemptionists Application of the Small Savings Strategy proposed by J F Bray

The first Redemption Society was established in Leeds in 1846. James Hole, Dr F R Lees (a chartist) and William Howitt (who took the chair) were amongst its early leaders. In its first twelve months it gained 600 members in Leeds, although admitted that it had met with some "apathy and indifference from the working classes". The aim of the Redemptionists was to accumulate capital for the employment of Labour firstly out of small savings and subsequently out of surpluses ploughed back to create more employment. The ownership of capital and the organisation of production was to be co-operative. Total cost of membership to the Redemption Society was one shilling - 6d on entry and the balance paid monthly over the following six months.

In addition, all members and candidates (those who were in the six month entry period) had to pay a penny per week minimum and as much more as they could afford to the Society's General Fund. The Rules were very clear this was no savings bank.

"No moneys can ever be returned under any pretence whatsoever. The contribution is a clear and inalienable gift for ever to the Society",¹³

The sums involved may not sound very onerous even by mid-nineteenth century standards but actually for many workers it was obviously a great deal to "give away" every week. The same issue of the Herald that reported these rules carried the story of a needlewoman who had to work fourteen hours for 2d! Such a story puts some perspective on the likely response from those most in need of co-operative employment. In addition to the General Fund the Redemptionists established a saving fund they called the Allotment Fund. Contributions to this fund could start at one shilling upwards but was only available to those who were subscribing to the General Fund. All Allotment Fund savings could be "withdrawn at pleasure".¹⁴

Bray had speculated in his book Labour's Wrongs and Labour's Remedies (1839) on the possibility of workers accumulating sufficient capital through small savings and friendly society contributions to invest in independent control of the means of production thus breaking the capitalists' current monopoly of the power to employ labour.¹⁵

13. The Herald of Redemption, No 1 p5

14. *ibid*, p5

15. Bray, J F, Labour's Wrongs and Labour's Remedies, p128

Quoting from the Bury Redemption Society's preface to its rule book Benjamin Jones records;

"The following calculation will show the power which we have by a weekly subscription of one penny per week. In Great Britain there are 6,000,000 adult males; take of these and of such females as choose to subscribe, 4,000,000, these will yield at one penny per week £20,000 weekly, or £1,040,000 a year; this with compound interest, would amount, in sixty years to £3,471,129,995. Now this sum would buy up all the property of the Kingdom. Fellow-workers, here lies your power; let us begin at once to use it, and millions yet unborn will bless us for our exertions."¹⁶

By these means the Redemptionists stated,

"We intend to unite the labour of all for the benefit of all ... by thus uniting the labour of production, and making all take a share therein, the labour will become very small in amount - not perhaps more than those who are entirely relieved from the necessity of labour perform for the preservation of health. Machinery will be introduced to the greatest possible extent; but under the then arrangements it will be one unmixed good - not as now, a good entailing a very large portion of evil."¹⁷

The influence of the English Labour Economists and the emphasis they placed on the power of the developing forces of production (see both Hodgskins and Bray in Chapter 7 on this point) comes across clearly in the contents of The Herald of Redemption. This journal gives clear support to G D H Cole's observation that

16. Jones, B. Industrial Co-operation, p98

17. The Herald of Redemption, No 1, p3

"Bray's ideas ... obviously played their part in the inspiration of the Redemptionists Movement."¹⁸

Bray recognised that inequality of possessions and how that operated in the process of production, was at the root of the workers problem. Compare the quote by Bray from Labour's Wrongs below with a subsequent passage from the first issue of the Herald of Redemption.

"It is labour alone which bestows value... Every man has undoubted right to all that his honest labour can procure him. When he thus appropriates the fruits of his labour , he commits no injustice upon any other human being: for he interferes with no other man's right of doing the same with the produce of his labour ... All these ideas of superior and inferior - of master and man - may be traced to the neglect of First Principles, and to the consequent rise of inequality of possessions."¹⁹

Writing in the first issue of the Herald, James Hole states;

"Society is now divided into endless sections and interests ... These interests are in the present state of society, opposed to and destructive of each other ... Perhaps the most injurious form which this error has assumed, has been the separation of the interests of capital from those of labour."²⁰

Bray and Hodgskin had placed a particular emphasis on the use of machinery in their analysis of capitalism. Both men saw that it was only the private monopoly of

18. Cole, G D H, op cit, pl35

19. Bray, J F, quoted in Marx K, The Poverty of Philosophy, p61

20. The Herald of Redemption, No 1, ppl-2

ownership that prevented the machine from being labour's liberator.

"Thus, two of the most important auxiliaries to worldly prosperity which man can make use of - unlimited machinery and an unrestricted trade - must ever, under the present system, ... be ... production of ... physical and social evil."²¹

The Redemptionist analysis of the problems confronting the working-class also concentrates on the private ownership of capital and of machinery in particular, and how the organisation of production under capitalism increases the exploitation of labour. Hole in the first issue of the Herald reviews the various strategies and other spontaneous outbursts working people had adopted towards capitalism. He reviews, Machine-Wrecking, Striking, Political Agitation (Charistism) and Owenism. Hole echoes Bray's own scepticism of political reform as being superficial in ignoring the economic issues. Hole's analysis over a number of issues of the Herald, however, concentrates on machinery. The Redemptionists opposed machine wrecking and used the issue to illustrate the importance of the workers themselves becoming capitalists and utilizing machinery as a means of liberation from drudgery and toil. From issue number two the Herald slogan read; "Labouring Capitalists not Labourers and Capitalists."

21. Bray, J F, Labour's Wrongs and Labour's Remedies, p128

Machine wrecking had been tried and failed:

The operatives at one time would fain have cut it through Alexander - like, and destroyed what they conceived to be the cause of their sufferings. Burning mills and broken machinery; brigades of police and regiments of soldiers; men hung, transported, and imprisoned; large masses thrown out of employment: these things proved, if not the falsity, at least the expediency, of their logic. And yet the evils still exist of which they then complained. How would it be now to endeavour to unloose the knot? Co-operation does this. It unites capital and labour - the interests of Society and of the Individual."²²

But whilst the machine could be an instrument of great advancement, it had in practice taken away employment and reduced wages. However, Hole recognised that machinery could create employment but employment of a different and less skilled type. In the following passage he anticipates much of the Braverman analysis of the capitalist labour process.

"Any circumstances which affect the conditions of the supply of a commodity, will affect its price. Labor under the present arrangements of society is a commodity. Now machinery affects labor in the following manner. First, the operations to be performed become divided and simplified, rendering less skill necessary. A consequence of this is, that a comparatively short time is needed to learn the employment; and, second, the machine performs the heaviest part of the physical exertion. These things should be advantages to the laborer - they are his direct misfortunes. So long as the laborer does not own the machine improved, so long will its improvement be his injury, because it dispenses with those elements of his labor which give it value, and which otherwise must have been paid for by the employers. The result is, that labor-saving processes render

22. The Herald of Co-operation, No 6, June 1847, p42

labor the slave of capital, and the more capital (machinery) is employed in the production of wealth, the better for the capitalised, the worse for the laborer.

One consequence of less skill and strength being necessary thro the employment of machinery is, that it places at the disposal of the employer a large amount of the cheapest labor - that of women and children. While a good degree of strength or skill are needed, these are excluded from the labor market; the children may stop in school or play-ground, the wife may attend to her domestic duties. But machinery calls into exertion a class of laborers whom we believe would have been none the worse for being excluded. Competition compels masters to employ the cheapest laborers, and machinery enables them to obtain them.

The labors of the mason, the carpenter, the painter, the blacksmith, etc. cannot be performed by their wives or children, or we may rest assured they would have been. Introduce machines which shall divide and simplify their tasks, so as to bring them within the pale of those which women and children can perform, and the factory system will be re-enacted in the manufacture of chairs, shoes, coats, etc., as it has been with cotton, worsted, and silk."²³

The rising levels of productivity are used in this article by James Hole to illustrate the point that the worker loses out proportionately in this situation. Marx was later to develop his own analysis in terms of capital's need to increase the rate of exploitation as it increases the ratio of fixed to variable capital. Hole contents himself with presenting the following facts which illustrate this point prior to the point having been clearly formulated at a theoretical level.

"By what strange fatality is it that the laborer whose power of production has increased a hundred, nay a thousand fold,

23. *ibid*, No 7, July 1847, p50

presents such a miserable spectacle, while the laborer whose power of production has scarcely increased within the last fifty years, has maintained his position? What compensation has the machine-employed artizan for these evils? What huge advantages have been conferred upon our laboring population in return for those which they have foregone, such as health, a clean tidy home, children enjoying the period of life sacred to happiness, and in their innocent play laying the foundation of a sound mind in a sound body? Nothing - absolutely nothing ... In this instance, production has generally increased until, at the end of twenty-two years, three times as much work is done as at the commencement, although the manual labor employed remains the same. The weekly earnings of the men have not fluctuated very much, and appear, on the whole, to have advanced; but it would be imprudent to push too far, reasonings founded upon a single instance.

The produce of 480 spindles of 'mule' yarn spinning, at different periods, was as follows:

Year	Hanks about 40 to the pound	Wages per 1000
1806	6,668	9s 2d
1823	8,000	6s 3d
1832	10,000	3s 8d

It is not very high praise of the present system to say, that wages have not fluctuated very much, although the labor produces three times as much as it did twenty-two years previously. From this table it appears that while production increased 18 1/2 per cent, wages diminished 32 per cent., and when production again increased 25 per cent, wages again diminished 40 per cent."²⁴

. Charles Babbage (the economist) himself recognised the failure of the benefits of the division of labour to have filtered down to the labourers and advocated

greater profit-sharing on a productivity bonus basis. The Redemptionists in their typically pragmatic and non-sectarian way welcomed this proposal as an important step in the right direction.²⁵ However, they were sure that the real solution required the worker to cease to be subject to the labour market and become the capitalist themselves.

"But the labourer's reward cannot materially increase, through any improvements made, so long as the price of labour is subject to the law of supply and demand; yet the labourer must be subject to this law until the labourer and capitalist become but two names for one man; in other words, until the labourer owns the capital which employs him; and cannot become the owner of that capital unless he adopts the principle of co-operation.

Working men! there are two alternatives before you. You must be either the masters of capital, or its slaves; no middle course remains for you. At present you are its slaves, and so long as you continue to be so, every addition to your wealth-producing means will raise the power of capital and depress the power of labour. Justice and injustice are here out of the question; it must be so by the force of laws which no man made, and no man can alter. But become the owners of capital, and you will become the owners of your labour. You will hail every mechanical assistance as a benefactor."²⁶

25. *ibid*, p51 in a footnote Hole writes "Economy of Manufacturers! Mr B himself remarks, in an excellent plan which he proposes to remedy the evil, that whilst it is perfectly true that workmen as a class derive advantage from the prosperity of their employers, I do not think that each individual partakes of that advantage exactly in proportion to the extent that he contributes towards it; not do I think that the resulting advantage is as immediate as it might be under a different system."

26. *ibid*, pp51-52

Before examining just how the Redemptionists proposed the ownership of capital could be achieved, first let us return to their views on the alternative courses of action. Strikes they saw as both extremely risky and costly affairs which rarely gained those who engaged in them very much. However, they recognised the need for Trade Unions under the prevailing capitalist system. Their main concern was that the union might prove to be a force for conservatism - limiting the demands of the workers and restricting their vision of alternative options. They perceived that unions could prove useful allies however, and involved themselves in local Trade Union actions as did the Christian Socialists.

Just how far they are prepared to go in the cause of flexible responses to the system can be seen from their coverage (referred to earlier) of the book by Charles Babbage, The Economy of Machinery and Manufactures. Babbage argues that profit-sharing through piece rate bonuses, would give a greater share of wealth to the workers and negate the reasons for trade unions and social strife and social misery. Babbage argues that it is in the capitalists' interest to give the workers a greater share of the profits as this would encourage them to produce more per unit of capital invested hence increasing the absolute and therefore, percentage return on the capital invested. Babbage considered the

need for a "limited partnership" to enable this to occur required some new legal form but did not develop what this form might take.²⁷

The Redemptionists perhaps almost foreshadowing the Co-partnership Movement that developed in the 1880s onwards claimed that (whilst not being their ultimate objective) ...

"... Partnership, or the admitting of workmen to be partakers of profits as well as receivers of wages ... would be the greatest single step in the direction of communitive principles which society has yet taken."²⁸

Obviously an organisation based on a weekly giving, that to succeed needed the widest possible basis of support, needed in prudence to be non-sectarian and as inoffensive as possible.

".. the Redemption Society knows of no party either in religion or politics. Its project is primarily economical. Men of all sects and all parties have, during its short existence, joined it, and we hope such will continue to do so. We want aid from all quarters, and trust to meet with opposition from none."²⁹

The Redemptionist aim was to unite all men with a vision of a better society but also to unite men by an immediate practical act of giving. We have seen how central to the Christian tradition is the idea of charity, and even more central the idea of sacrifice as

27. The Herald of Co-operation, No 4 p28.

28. *ibid*, p27

29. The Herald of Redemption, No 1 p4

a route towards salvation (see Chapter 2). In the Redemption Societies we have the attempt to build this idea from individual acts into a social reform movement. Another crucial aspect of Christian teaching is that salvation is the result of a change of heart within each individual rather than as an external conformity to the Law. In this too we can see the acknowledgement of this principle in Redemptionist pronouncements and policies (see earlier quote from James Hole in reference number 6 above).

The Redemptionists application of Christianity to co-operative organisation was not doctrinal but practical. Their initiatives not only pre-empted the Christian Socialists but represented an advance on them in practice. Whilst the Christian Socialists preached the doctrine of Solidarity (see St Paul in Chapter Two) as the basis of association, they practised - in the area of central importance to the practical success of their endeavour - individual acts of charity. The workers might accumulate capital as the result of their collective efforts eventually but the immediate source of finance for the Christian Socialists as for the Owenites was the individual acts of charity by rich backers. Here the Redemptionists recognised the need to involve everybody in the community and thus married in their practice both charity and solidarity into an economic and reforming movement. If a class was to win back what it had lost, then as a class an act of redemption was necessary. If the dead labour was to be

controlled by the living labour then living living labour would have to make a sacrifice but a sacrifice which promises a full and rich reward. If unselfishness was the basis of association (as the Christian Socialists taught) then it was also the way to build the association and that's what the Redemptionists attempted to do. The subsequent growth of Building Societies and Mutual Societies for quite other purposes shows what a powerful economic idea they had found in the writings of J F Bray, and earlier in William Thompson.

4.4 The Redemptionists and Christian Socialists - two parts of the same movement.

It is clear from a careful reading of Cole's Century of Co-operation (1944) and the more recent book by Backstrom, Christian Socialism and Co-operation in Victorian England (1974), that the two organisations knew of each other and held common goals and principles. A careful reading of the issues of the Herald also provides some evidence of personal exchanges between the two groups. For example William Howitt had chaired the inaugural meeting at Leeds in 1846 of the Redemption Society. We read in the 'Herald' in 1847 that the same Howitt is active in London just a year prior to the formal announcement of the Christian Socialists in 1848 with the publication of Politics for the People. Philip Backstrom, writing about E V Neale one of the principal activists in the Christian Socialist Movement and a continuous champion of workers'

co-operation until his death in 1892, states,

"... He frequently visited the Labour Redemption Societies at Bury and Leeds becoming so popular among the workers at Bury that they considered him as a possible political candidate. Month by month Neale made new acquaintances, not a few of whom were well-known leaders like James Hole, one of the founders of the Leeds Redemption Society ..."³⁰

Mazzini who had subscribed to the Redemption Society was for some of this time active in London. During the year 1848, when the Estate at Garmlwyd was commencing operation, a London branch of the Redemptionists was established.³¹ Also at a later stage in the two organisations life G D H Cole reports on John Ludlow's tour of the Northern Workers' Co-operatives in the summer of 1851. (Ludlow was one of the founders of Christian Socialism).

"Ludlow, with his strong bias in favour of Producers' Co-operation, was much more enthusiastic when he found some tiny group of idealists making hats or weaving on a few looms than he was over the largest Co-operative Store ... and his dislike of paying out the surplus even in the form of dividend on purchases instead of retaining it to form the fund for the employment of members comes out again and again ...

"They seem", Ludlow wrote of the Redemptionists, "the only working men in the provinces impressed, as a body, with the importance of productive labour, and attributing profits to labour, and not to capital. The prevalent idea in this respect among Co-operators is, I am sorry to say, the setting men to work for the benefit of the Stores, at ordinary wages ..."

30. Backstrom P, p34

31. The Herald of Co-operation, No 19, pl56

Cole however, despite Ludlow's bias states that

"... in general his (Ludlow's) picture is to be relied on; it is one of a movement still for the most part at the experimental stage, but striking solid roots in a number of places in which the essential principles of Consumers' Co-operation were already firmly grasped. The Producers' Societies were much less stable; but it is interesting to see how widespread they were. The Christian Socialists had had little to do with the advent of these Northern Producers Societies, which were due far more to the Leeds and Bury Redemptionists and to the Trade Union activities of the National Association of United Trades."³² (My emphasis)

4.5 Redemptionist and Christian Socialist contacts with Trade Unionism

The National Association of United Trades had been formed in 1845 at a Conference in London. In the struggles of this body, which as Cole records had been brought into existence expressly to revive the ideas of Co-operative Production by Trade Unionists, both the Redemptionists and Christian Socialists played their part. Cole's account is instructive as to the ferocity with which the employers were meeting such initiatives at this time. This whole period and the eventual outcome which saw Trade Unions and Co-operation develop along separate lines may be in itself ample testimony to the ability of the employers to actually shape if not dictate the terms and direction of the opposition from the working class.

"Even before the Queenswood Community had been wound up ingloriously in 1846 the Trades Unions had taken fresh steps to revive the

 32. Cole, G D H, A Century of Co-operation, ppl04-108

ideas of Co-operative Production which had been prevalent in the days of the Grand National Consolidated Trades Union. In 1845 ... a Trade Union Conference in London formed the National Association of United Trades for the Protection of Labour ... But in the face of the strong hostility of most employers to Trade Unionism in all its forms the new body had to contemplate the prospects of strikes and lock-outs and to propose ways and means for the support of its members during such disputes. With this end in view ... it accordingly proposed to raise a capital fund which could be devoted to the provision of employment ... At the next yearly conference it was announced that the N.U.T.A.E.L. had 123 men at work under its auspices ... In ... 1849, this body became involved in the strike of the Wolverhampton Tinsplate workers. The employers met the strike by prosecutions of both strikers and leaders for incitement to breach of contract and for other offences; and severe sentences were passed against several leaders of the N.A.U.T.P.L. ... This legal struggle sapped its strength, and therefore it steadily lost ground and appears to have given up its attempts to stimulate Co-operative Production."³³ (My emphasis)

And again in Cole we read,

"The Bury Redemptionists started in 1850 a Co-operative Store which ran for four years, and in 1851 they helped the local bootmakers to win a strike by establishing Co-operative Production. The movement also spread to Liverpool where in 1851 there was a project afoot for the newly founded Amalgamated Society of Engineers to buy the Windsor Foundry, which had just failed and start it as a Co-operative workshop ..."³⁴

This particular affair provides a direct link between the Redemptionists and the Christian Socialists, who made efforts to get the A.S.E. interested in Co-operative Production. The purchase of the Windsor

33. *ibid*, p100

34. *ibid*, p101

Foundry came to nothing because before it could be completed all the funds of the A.S.E. were swallowed up by the great engineers' lock-out in 1852.

A similar fate overtook the two London based initiatives to establish engineering co-operatives. They were able to get started under Neale's patronage but this was inadequate in the face of some poor tendering which led to losses. As a follow up to resolutions in favour of Co-operative Production the A.S.E. Executive had sent out ...

"... a circular letter to members arguing enthusiastically for Co-operative Production as an alternative to strike action ..."³⁵

Thus it can be seen that when the Redemptionists and Christian Socialists argued against strikes as an effective weapon this was not a position in contradiction to the leading trade unions of the day.

However, as a result of the lock-out the A.S.E. had no funds available to back up their aspirations. Without large Trade Union mobilised finance, invested and managed professionally for the purpose of job creation at reasonable standards of pay and conditions, efforts at manufacturing co-operatives on any significant scale were in Cole's words, "bound to fail". Thus on two occasions during this period, when the distinction between producers co-operation and consumers' co-operation was less final, opportunities presented

themselves for large scale co-operative production, only to be pre-empted by prosecutions and lock-outs. Although its perfectly true to say that Co-operative Shops encountered opposition from local traders this opposition in general served to quicken the development of their own support organisations and to self sufficiency - opposition to producers co-operatives from the State and employers was to prove more damaging.

4.6 The Christian Socialist Movement

Three men played leading roles in the formation and activities of the Christian Socialist Movement. The Rev. Frederick Denison Maurice, Professor of Theology at Kings College, who was appointed chaplain of Lincolns Inn in 1846. Maurice's shyness might well have made him a recluse, but Christianity for him was a gospel not of individual but of social salvation.

"They insisted that property is only a trust from God to be administered in the interests of all ... They pressed home St Paul's doctrine of solidarity, that if one part of the community suffers, the whole must suffer ... They saw that whatever doctrines might be professed by socialists, and whatever angry things said in the name of Socialism, its essence was the principle of association, the principle of acting together for the common good; and that this was none other than the root principle of Christianity formulated in the great saying, "Thou shalt love thy neighbour as thyself" ... They held ... that Christianity alone could give that unselfishness which was admittedly the necessary basis for association. For whilst recognising the powerful influence of circumstances, they repudiated that extreme Owenite doctrine of circumstances, which

taught that men's characters were merely what their circumstances make them ..."³⁶

It was through his Lincolns Inn appointment that Maurice met the second key man in the movement, John Ludlow. The latter had returned from France in 1846 to practise at the bar at Lincoln's Inn. Ludlow was very familiar with the French Producers Association Movement and the writings of the Frenchman Louis Blanc. He was keen to promote such ideas in Britain. The third important figure was Charles Kingsley who corresponded with Maurice after the publication of the latter's book, The Kingdom of Christ. Hall and Walkins wrote of Kingsley,

"... Kingsley was characterised by vigour, pugnacity and not a little rashness. These qualities, together with his gift of vivid and forcible writing, enabled him when the right time came to arrest the attention of the public and make it listen to the message which he and his friends had to deliver."³⁷

After the failure of a Chartist demonstration in London in 1848 the three men published their periodical, Politics for the People, which circulated widely and occasioned much discussion. This paper attracted E V Neale, perhaps the best known Christian Socialist of all, who remained loyal to the co-operative cause for the rest of his life giving unstintingly of his personal fortune and his energy. Neale was to take a

36. Webb, Catherine, pp 72-73

37. Hall F, and Watkins, W P, Co-operation, Co-operative Union Ltd., Manchester, 1934, p92

leading part in the formation of all the important Co-operative Federal developments that occurred in the last quarter of the century. He worked with the active support of the older Owenites, Craig and Pare as well as the Redemptionist, James Hole (who was at the 1869 Congress) and Thomas Hughes, MP., and John Ludlow (although both the latter criticised his accommodating approach to the Consumer Movement). The Co-operative Wholesale Society, The Co-operative Union, Building Society, Insurance Society, Co-operative Press all these developments presented as the achievements of Britain's Consumer Movement in fact owed much of their existence to the energy and idealism of those who constantly tried to develop the workers productive side of the movement.³⁸

Cole sums up the Christian Socialist movement thus;

"The Christian Socialist incursion into the Co-operative Movement was, indeed a curious episode due almost entirely to Ludlow's enthusiasm for French Co-operative ideas and exceedingly unpractical in its methods. But it had lastingly beneficial results. Not only was it responsible for getting the Co-operative Movement its assured legal status; it also left behind, when the promoters withdrew as a group, individuals who were devoted helpers of Co-operation for many years afterwards. Thomas Hughes was one of these; and the greatest of all was Neale, who after sacrificing most of his fortune in the disaster of the engineers Co-operatives and the Central Co-operative Agency, gave the rest of his life to the Movement and became

38. This is outside my principal concern but an examination of all the acknowledged historical authorities on the British Co-operative Movement bears this point out Cole, Hall and Watkins, Backstrom, Bonner, Garnett, etc.

secretary of the Co-operative Union in its formative years. Ludlow, too did not desert the cause. In due course when Tidd Pratt retired, he became Registrar of Friendly Societies and in his later years piloted the Movement through many legal difficulties. The Christian Socialists failed in what they tried to do, as they were bound to fail; but their service to the Co-operative Movement was none the less of inestimable value."³⁹

What Cole conveniently ignores in this passage is that none of the people he quotes gave up the fight for co-operative production under the control of employees. Neale's attitude towards retailing remained in essence no different from that of Dr W King at the beginning of the Movement - namely a means to an end. As for Cole's statement that they were bound to fail, well we have noted already the context of lock-outs and prosecutions - actually the mild and shy Maurice was forced out of his professorship in 1853 as a result of establishment hostility to his views - that surrounded the attempts at worker co-operatives by the Christian Socialists and Redemptionists. Another institutional problem that the Worker Co-operatives faced at this time was a less than adequate legal framework within which to operate. As Hall and Watkins point out,

"Not to register was to invite dishonesty; but registration implied a choice of evils. Associations might be registered under the Friendly Societies Acts, but their operations would be limited by the Frugal Investment Clause, which would permit no dealing with the general public, and sanctioned only those trading operations which were intended to supply the needs of an associations own members. Unobjectionable as it might be to co-operative stores, this clause made the

39. Cole, G D H, op cit p113

Friendly Societies Acts useless to productive associations, but the Acts imposed further disabilities by denying to associations the right to hold real property in their own names. Such plant and premises as they might acquire had to become in law the absolute property of their trustees, against whom, if they were dishonest, the associations had no remedy. The alternatives were equally irksome. An association of less than 25 members might be protected as a partnership, but if so, each member had the right to pledge the associations credit. An association of more than 25 members could obtain no legal protection whatsoever unless it were registered under the Joint Stock Companies Act of 1844. To obtain registration, it would have to pay between £50 and £60, nominate three directors, fix the precise amount of its capital, and divide its capital into shares that must be transferable. Transferable shares, since they might be purchased by persons who did not seek employment in the association's workshop might easily permit the association to backslide into capitalism." 40

No lesser person than John Stuart Mill came before the House of Commons Select Committee investigating into working and middle class investments. Mill called for an extension of the Friendly Societies Acts. Such an improvement was introduced and received the Royal Assent in June 1852. But even the improved Act left much to be desired. However,

"Rather than risk the Bill's failing to pass before the end of the session, Ludlow accepted a clause requiring unlimited liability of members for their associations debts, but legal status similar to that of Friendly Societies without the restrictions of the Frugal Investment Clause was secured for associations for trade and work, and the shares of the members was not obliged to be transferable." 41

40. Hall F and Watkins W P, p96

41. ibid, p97

4.7 The Society for the Promotion of Working Men's Associations

The Christian Socialists had been promoting their associations for two years by the time the 1852 Act was passed, however, on the basis of their own model rules. The Christian Socialists had established The Society for the Promotion of Working Men's Associations in 1850. The Society consisted of promoters together with associates, or members of the associations. It was governed by a council representing the promoters and a central board representing the associates. The council was concerned with raising funds, spreading the idea of Co-operation and dealing with the associations on the Society's behalf. The central board assisted in the formation of new associations, supervised them, and kept them in line with the society's constitution and the model rules. The government of the associations was democratic with certain exceptions. The members elected from among themselves a chairman, secretary, treasurer and council of administration which supervised the conduct of the society's affairs. Executive power was vested in the manager who was however, limited by the council's right to be consulted on all important matters. Membership of the association was open only to those who had served a period of probation in the workshop, and shown that they were desirable members ... Since most of the associations began with loans made by the Society of promoters, the Society claimed the right to veto their

choice of managers for so long as the loan remained unpaid. The associations were intended, however, to enjoy complete freedom in selecting a manager and determining his duties. Associates and probationers were paid as wages for their work an allowance calculated on a time or piece basis according to the custom of their trade; but at the half year's end they had divided among them accordingly to the time they had worked during the period, the portion of the association's business profits remaining after allocations had been made for the repayment of loans, and the increase of the association's own capital.⁴²

This is in fact the mode of operation that was actually implemented but just as the Redemptionists foresaw some form of 'Partnership' as a half-way house, so the Christian Socialists recognised in their own constitution an alternative approach to the self-governing workshops. Catherine Webb writes,

"It is not to be supposed that the founders thought this form of organisation suitable for all industry. They saw that certain trades required to be carried on with such a large mass of capital that it was hopeless for the workmen engaged to expect to control them, and in the constitution of the Society for Promoting Working Mens Association power was given for the admission not only of self-governing workshops, but of societies of combined capitalists and working men. They saw also at the bottom of the social ladder there were large classes of people so degraded by the existing industrial system that they were quite unfit for industrial self-government. But they saw, or thought they saw, that between these classes there

was a body of skilled workmen, working with a very moderate amount of capital, and on the whole fitted to control their own industry in associated groups. This middle body, therefore, they chose for their sphere of work..." ⁴³ (My emphasis)

This brings me to a third area of difficulty for those seeking to promote worker co-operatives at this time. The 1850s was a period of growth and development for British Capitalism's manufacturing base. The Great Exhibition had given testimony to Britain's manufacturing capacity. The very groups that the Christian Socialists and Redemptionists were targeting for assistance were those sections of artisan labour whose processes and methods of production were being revolutionized. Hence they gave out inadequate (in terms of the newer configurations of machinery to labour) capital sums relying on the skills of the workmen to suffice when it was precisely their skills that capital was dispensing with. This if for no other reason would ensure a lower level of productivity and a dearer product from the association than from the capitalist. Where the configuration of capital to labour was more or less equivalent to the predominating capitalist forces of production then the workers co-operatives survived and competed (as will be established in the latter co-partnership phase).

Cole explains that the Christian Socialist Workshops failed because,

"The Christian Socialists aspired to convert the working classes to an impossibly high moral code, and to a theological approach to industrial problems which most working men were quite unprepared to accept. Moreover they made the mistake of supposing that real Co-operative Societies could be created from above with capital supplied by wealthy idealists, and that the workers would submit to a position of tutelage under the middle-class promoters until this capital had been repaid. Trouble between managers responsible to the promoters and working associates wanting self-government was unavoidable..."⁴⁴

Cole provides no evidence however that Christian Socialists attempted to impose an impossibly high moral code on the worker-member of their associations. On the contrary the available evidence suggests that there was little attempt at careful prior selection for membership of the workers' association or of supervision once the loan capital had been made over to the association. Ludlow himself believed that more care should have been taken to ensure a Christian background in the workmen being supported. Catherine Webb appears to agree that wrong attitudes and poor preparation or induction was largely responsible for the failures of these associations.

"The rock upon which these associations split ... was ... difficulty in maintaining internal discipline, in securing absolute honesty and fidelity to one another, and in preventing quarrels among men who had had little education in the ordinary sense, and whose training as wage servants, under the lash of competition, had developed the

44. Cole, G D H, pp112-113

rougher and the meaner, rather than the nobler side of their characters." ⁴⁵

What lies behind both these statements is poor management. That is poor management of the Associations themselves and poor management by the promoting bodies both in terms of commercial evaluation, financial control and selection of personnel and selection and maintenance of general management standards. However, we must remember this is only 1854. Management science for Capitalist purposes was not really developed for another quarter of a century. Managers did not have the skills to lead and motivate by participating and democratic styles - such ideas did not really start to develop until the 1930s and even then they were not popular. Lacking commitment to co-operation themselves and recognising the 'vulnerability' of the co-operative workforce, managers seized by persuasion or guile control of the co-operative and converted it into a private business. Both Cole and Webb leave the impression that those worker co-operatives that failed in this period failed due to inevitable reasons connected with the natural flaws in human personality. However, Hall and Watkins actually take 12 separate examples of Working Men's Associations that failed. I list them below together with the reasons for failure.

45. Webb, Catherine, p76

The Decline of the Working Men's Associations

<u>Association</u>	<u>Cause of Failure</u>
<u>Shoemakers (3) Association</u>	1 Chose an illiterate manager and went bankrupt. 2 & 3 amalgamated and became a private business in 1863.
<u>Northern Builders' Association</u>	Wrecked by new members admitted without a probationary period. Re-constituted and became a private business in 1860.
<u>Pimlico Builders</u>	Perfectly solvent but failed due to incompetent management.
<u>Printers' Assoc) City Tailors Assoc) Needlewomen's Guild)</u>	All converted by managers to private business in less than 12 months.
<u>Castle Street Tailors</u>	Failed in 1860 due to management fraud.
<u>Southampton Tailors</u>	Manager set up in competition.
<u>East London Ironworks</u>	One low tender bankrupted them.
<u>Atlas Ironworks</u>	Indiscipline - failure to 46 complete order on time.

What is interesting to note is that six out of the twelve failures were really subverted by their management and operated thereafter as private firms. In only two did worker-members lack of discipline appear to play a significant role - in Atlas Ironworks and Northern Builders prior to reconstruction. In only one other can the blame be laid directly at the door of the members and that was their very poor judgement in selecting an illiterate man to manage them. Here I would tend to put at least equal blame with the promoters for not being involved enough to prevent such a stupid mistake. Incompetence,

dishonesty, and 'unethical' actions by managers (Pimlico Builders, East London Ironworks, Castle Street Tailors) account for the rest.⁴⁷

The evidence is so overwhelming in terms of factors relating to management actions rather than worker actions that clearly, from the sample in Watkins, undeveloped co-operative management must be identified as a critical explanation for the failure of the majority of the productive societies found in this period. Hall and Watkins account of the failure of these associations gives more detail than any of the other co-operative historian's accounts that I have reviewed. They list eight causes of failure as follows:

1. Inexperience and lack of understanding of working-class attitudes - they reckoned without his (the workman's) limitations.
2. They allowed members too little responsibility - Neale was too willing to hand out money.
3. Poor management.
4. Management not committed to the co-operative cause.
5. Worker members not properly selected.
6. Poor work discipline amongst the association members.

47. Bonner, A, British Co-operation, p63. Some 25 producer societies are listed by the Christian Socialists in their final publication of figures - some of these had been founded by the Redemptionists however, and the figure undoubtedly understates the real total. But it does give support to Hall and Watkins analysis, based on nearly half, additional credibility.

7. Best craftsmen often put off because of poor workmen who were in membership and because extra homework was banned.
8. The aristocracy of labour the engineer, however, took exclusivity to the opposite extreme - East London Iron Works
- 10 associates employed 60 other workers.⁴⁸

None of the historians of the Co-operative movement appear to recognise the problem of capital or the lack of it as important in explaining failure which is an ironic omission when one considers that it is the movement of capital that created the social conditions for which co-operation was seen as the solution. The Redemptionists wrote at length on the issue of machinery yet they still in the end exhausted themselves and their resources trying to operate farms with small artisan workshops in an effort to become self-sufficient in a world where the division of labour and increasing capitalization was the key to economic success and the growth of capital.

The class based hostility to the trade unions particularly at those times when they looked interested in organising their own production - the lock-outs, the prosecutions; these factors are mentioned in passing by one or two historians of the Co-operative Movement but never given any weight - except indirectly by Garnet - in explaining these producer co-operatives failure to get established. (Garnet makes the important point that the consumer societies for the better-off workers

48. Hall, F and Watkins, W P, pl01

were not seen as a threat to the establishment). And Hall and Watkins are virtually alone in considering the legal impediments faced by productive societies.

All the other reasons for failure really boil down to two. Firstly, the terrible management of the productive associations and secondly, the incompetence, lack of control and lack of a strategy based on any scientific evaluation of Capital's development, that characterised the promotional organisations - particularly the Christian Socialists but also probably to no lesser extent the Redemptionists. The terrible indifference to management is perhaps the hardest point to explain. Robert Owen had managed a large efficient (in Capitalist terms) factory along lines which whilst still exploitative were enlightened in the extreme and could have worked just the same had it been a co-operative plant - i.e. had the workers owned the capital stock. With this example of an efficiently managed large capital intensive plant before them at New Lanark why did the promoters of Co-operation not recognise where the future lay? Why with the New Lanark example staring them in the face - did the pioneers of the worker co-operative movement waste resources on small uneconomic workshops and an amazingly difficult and totally untried form of land colony? Part of the answer lies in the influence of Owen himself as even he did not recognise the source of his own success in New Lanark and led the whole movement into the blind alley of land colonization and

small-scale artisanal workshop production. But how do we explain Owen's mistaken vision contrary to his industrial practice? And how do we explain why this aspect of Bray's analysis was ignored? Bray had in 1839 called for large scale associations based on mass production, specialization and with a proper management structure. In addition Bray specifically warned against small farms noting how frequently such ventures ended in bankruptcy (see Chapter 7).

Perhaps a rational explanation is not there to be found. Perhaps the ugliness and brutalization of Capitalism at this time turned reformers away from any thought of large scale production. Such proposals would have certainly met with resistance from the craftsmen whom they mistakenly expected to be most amenable to association.

Even today self-sufficiency - inner city farms - and small self governing workshops seem to quicken the heart of English reformers 130 years later! But in the last 130 years Capital just keeps on getting bigger and more powerful and more distant. The fact is, however, that despite the obstacles not all these producer-associations did fail. The thirteenth society included in the Hall and Watkins survey - left out of account above - although listed as a failure it in fact carried on trading until 1873 (The Salford Hatters) when it voluntarily disbanded. A business especially a worker run business lasting some 20 odd years is hardly

to be listed as a failure.

Finally, not enough thought was given to the question of the developing structure of the economy. Which industries were in decline and which new industries and services looked to have promising futures. The Christian Socialists did not consider these issues but allowed the necessarily immediate and short sighted cries for self-employment in existing and usually declining trades to absorb their capital rather than look at the best prospects for growth and seek to employ co-operative projects in these areas.

This cardinal error was to be repeated in the Co-partnership phase to which we now turn. However, just as the retail generated capital started to prove that William King had argued from the beginning - and larger capital intensive and competitive investments became possible in the sphere of production then a new enemy arose to challenge Workers Co-operation. This time from within the Co-operative Movement itself - the theory of consumer co-operation as an end in itself.

CHAPTER 5 - THE CO-OPERATIVE PRODUCTIVE
FEDERATION AND CO-PARTNERSHIP CO-OPERATIVES

5.1 Introduction

In the thirty years between the Christian Socialists and Redemptionists and the foundation of the Co-operative Productive Federation in 1882 the dynamic for growth in the co-operative movement had come from retailing. The leaders of the earlier productive co-operatives turned their attention towards the development of a national movement again after the collapse of the earlier Owenite congresses. It is during this period that the concept of consumers co-operation became a fully conscious idea clearly supported by "one party" within the movement. Because of the growth and success of retail trade and the establishment of dividend on purchases this party had solid support amongst the "grass roots" co-operators as well as from powerful management figures like J T W Mitchell of the CWS.

After 1854 producer co-operative developments were not at a standstill. Over 200 new co-operatives - it has been estimated by Catherine Webb - were started in this period prior to the C.P.F. Some had been financed by the CWS but the Great Depression finished off most of them - in line with general business failures. The CWS and some retail societies lost money as a result. The CWS had been founded in 1863 and by 1873 its wholesaling function was extended to direct production

with a Boot Shoe factory in Leicester and Biscuit factory at Crumpsall.¹ This development was not to the liking of those who favoured producer co-operation and the principle of profit-sharing was introduced in 1874.

Six years after the establishment of the CWS in 1863 the first of the newly constituted Co-operative Congresses was held in 1869 these congresses became increasingly the stage for the struggle for the hearts and minds of co-operators. E V Neale was one of those Christian Socialists (Ludlow and Hughes were others - and James Hole the Redemptionist had also attended the 1869 Congress) active in the construction of a national movement during this period. Neale had a clear idea as to the proper relationship between consumers and producers within a nationally federated co-operative movement. His model in fact was broadly speaking a development of William King's concept.

"...retail societies covering the country, obtaining their supplies from a co-operative wholesale society and depositing their surplus with the co-operative bank. The co-operative wholesale society would purchase from productive societies owned and controlled by those employed in them and the co-operative bank would initiate and finance new productive societies to meet the consumers' needs."²

1. Bonner, A p 74

2. ibid p104

Unfortunately for the advocates of Worker Co-operation this vision of an integrated co-operative sector including productive societies was to face a sharp ideological attack made more effective because of the growth in the power of the CWS.

5.2 The Growth of the Consumer Movement

The CWS with JTW Mitchell as president was determined to press on with its own production. The northern societies attempted to eliminate worker shareholding from their workshops and at the same time threatened to boycott the independent producer co-operatives if they did not share their profits with them in proportion to purchases. It may not be too great an exaggeration to suggest that these factors may be at least as important in preventing a more successful Producer Co-operation emerging as the reasons generally given.

Ample evidence of the hostility by Consumer Co-operation towards Producers Co-operation is provided by the research of Philip Backstrom. I shall give one example of this from a letter written in 1891 by Greening to Hughes (both members of the Co-operative Union Board).

"... I can see that Mitchell and Co (J T W Mitchell - the President of the English Co-operative Wholesale Society) now realise that our Labour Association Workshops no longer fail of themselves but in fact have learnt how to succeed. And realising this Messrs Mitchell and Company mean first to shut out all our new workshops from affiliation to the trading federal centre - the Wholesale - and next to fight our workshops by ... their own manufacture. So

we have only outgrown the era of inexperience and failure to enter an era of battle for life with all the concentrated capital, custom and organisation of the movement in the hands of our enemies..."³

The movement became divided between the Federalists representing the CWS position and the champions of Producer Co-operation who became known as Individualists.⁴ Mitchell was not only totally committed to direct CWS production he was as a consumer co-operator opposed to profit-sharing schemes and argued strongly against the concept.

"At Oldham in January 1876, Mitchell spoke of profits which, instead of going into the hands of 500, might be divided amongst 10,000 or 15,000 people. What was meant by Co-operation was that every man and woman should feel in their own homes the benefits of industrial enterprises in which they were engaged. Neale could only interpret this as saying, in effect, that the money so necessary for the work of co-operative propaganda, the expansion of co-operative educational facilities, the establishment of more workshops and stores, was to be unconscionably dissipated in shillings and pence to thousands of people who in most cases, were the very ones who needed it least. In speaking of the profit made from co-operative production he argued that if it were ...distributed among the consumers according to their purchases, six-tenths would go into the pockets of the 23 per cent of the population who now receive... 60 per cent of the yearly income of the United Kingdom, and four-tenths only into those of the 77 per cent of the population who now receive the remaining 40 per cent of income, since income and purchasing power are necessarily commensurate. (My Emphasis)⁵

3. Backstom, P pp203-204

4. *ibid*, p99

5. *ibid*, p115

The burden of Philip Backstrom's analysis of this period in the 1860s and through into the 1880s is that the impulse for developing the Federal Co-operative structure came in the main from Neale, Ludlow, Hughes and Greening (a view largely corroborated by Cole, Watkins and Bonner). Yet these federal structures became bureaucratised by interlocking committees and although Neale could get resolutions passed in the Congress and the Union the real power was in the hands of local societies and the CWS. In the consumer versus producer debate Beatrice Webb staunchly supported the consumers side of the argument and created a perspective hostile to workers co-operation that influenced English Social Democracy for nearly 50 years and has only been seriously challenged by Derek Jones' research published in the 1970s. Backstrom sums up the defeat of those who fought to keep alive the principles and objective for which the movement was founded and built. His judgement is perhaps a little severe but correct enough in its main points.

"Sadly enough, friendly societies, labour unions, and co-operative stores and workshops, all went their separate ways during the last quarter of the nineteenth century, remaining relatively ineffectual organisations on the periphery of the capitalist system rather than becoming as Neale had intended, integral and necessary components of Socialist Federation. Had he been successful in carrying out his grand design there need not have evolved a paternal system of welfare capitalism based upon instruments of social and economic reform wielded by men interested in alleviating distress rather than in dealing with its causes. Had working men caught Neale's dream, perhaps they could have managed to carry out for themselves, by the means of a

unified movement with a consistent social philosophy, the measures that were later carried out for them by classes interested only in ironing out the kinks in the status quo."⁶

5.3 The Worker Co-operative Movement's Response

Despite the growing hostility of the consumers movement, as it had now become, and growing concentration of economic power in the hands of the CWS, productive societies still existed and, isolated and undercapitalised as they were, attempted to develop. Catherine Webb in her history wrote of the founding of the Co-operative Producers Federation (which sought to remedy their adverse circumstances).

The Self-Governing Workshop Movement has in fact become the parent of the Co-operative Workshop Movement ... When in 1884 the Labour Association (now Labour Co-partnership Association) was formed to advise and guide the workshops of this modified type, Mr Neale, Mr Ludlow, Mr Hughes and others directly influenced by the teaching of the Christian Socialists, took part, with co-operators of the old Owenite school, in founding or in guiding and supporting the new body."⁷

The Christian Socialists in 1850 had considered the possibility of partnership between Capital and Labour - as had the Redemptionists the idea of profit-sharing - now over a quarter of a century later the idea re-emerged at the centre of the stage for workers co-operation. Essentially a side show for the co-operative movement as whole it nevertheless still

6. *ibid*, p123

7. Webb, Catherine, p77

touched a raw nerve from time to time in Congress' debates.

As we saw in Chapter 3 what may well have been among the first ever co-partnership was set up by the Rochdale Pioneers called the Rochdale Co-operative Manufacturing Society in 1850. Three of the main protagonists in the consumer versus producer debate of the 1870s and 1880s were involved in this earlier initiative. E V Neale had drawn up its rules, J W Mitchell became its chairman and amongst its promoters was Abraham Greenwood. The society operated as a joint venture with the Rochdale Pioneers putting up capital and the workers having to put up a minimum of £10.00 each and allowed to invest up to a maximum of £100 each. The parties shared the profits until 1862 when profit sharing was abolished.⁸

In 1880 Bonner records only 15 productive co-operative societies were still in existence - Catherine Webb put the figure at 22 (not counting the corn mills of which there were 26). These societies were isolated and without any federal organisation or support. They had been denied the right to affiliate to the CWS. To some extent the establishment in 1882 of the Co-operative Productive Federation - with its objectives to secure capital, find markets and promote unity of action together with the Labour Association (later the Labour

8. Bonner. A. p53

Co-partnership Association) in 1884 essentially concerned with promotion and education - was an acknowledgement of the dominant position of the Consumer Philosophy within Congress and the CWS. Writing on the Labour Association for the promotion of Co-operative Production Backstrom notes that the body was founded by Neale and Greening and that Hughes and Ludlow joined soon afterwards.⁹

However, total victory for consumerist principles came by 1886 with the CWS abandoning profit-sharing with its employees.

"The labour Association ... spent the first year of its life in fighting a losing battle with the CWS and with the Retail Consumers' Societies in support of the "bounty to labour" system. When the CWS finally rejected this system in 1886 the battle was in effect lost ... the lead of the CWS was ... followed not only the local Consumers Societies but also by many productive societies which had come mainly under federal consumers' control."¹⁰

Following this defeat the Labour Associations gradually drifted away from the Co-operative Movement, leaving the C P F to carry on promoting the Co-operative Co-partnerships. Co-partnerships enshrined three rights.

1. The wage earners right to become a shareholder.
2. The wage earners right to share in the profits.

9. Backstrom P. ppl64-165

10. Cole, G D H, A Century of Co-operation, p295

3. The wage earners right to take part in the management.

These societies also generally registered under the Industrial and Provident Societies Acts. They paid a limited interest on shares and members had one vote each, and the society paid a dividend to its customers.

The rules of the Co-operative Productive Federation included the following:

"The special objects of the federation are to carry on industries, businesses and trades of commercial agents, supervision and advising agents, bankers and general dealers both wholesale and retail. Also to provide for the appointment of organisers or other means, for the purpose of propagating the principles of co-partnership in such a manner as may appear advisable to the Executive from time to time ..."¹¹

The Federation could be involved in any dealings with land and could also underwrite or guarantee loans to member societies - this resulted in a near crippling loss in the 1950s.

"In the 10 years following the establishment of the Co-operative Productive Federation the number of co-operative co-partnership societies trebled. Many of these were in the East Midlands footwear, hosiery and clothing industries ... Great progress was made in the years 1894 to 1899 through the zeal and ability of Thomas Blandford, the General Secretary of the C P F. He was successful in raising capital, founded and organised the Federation's loan department, organised exhibitions, developed propaganda, and began the publication of the Co-operator's Year Book. Yet although the value of the output of these societies increased from £885,000 in 1895 to £1,440,000 in 1941, the proportion of

11. *ibid*, p365

this to co-operative retail trade fell from 2.61 per cent to 1.92 per cent in the same period."¹²

Bonner makes no attempt to explain this fact, but in my view an explanation (or at least a substantial part of the explanation) is to be found in Bonner's own evidence of dramatic extensions of CWS productive activity which effectively was denying funds and markets to the producer co-operatives.

"Rarely did a year pass without some new productive enterprise being undertaken or an old one extended ... The value of CWS productions increased from £133,106 in 1881 to £9,051,646 in 1914 ..."¹³

The Co-operative Productive Federation co-partnership members stood at 73 societies in affiliation by 1914. They were heavily concentrated in three industries; Textiles (15), Footwear (15) and Printing (14). Another important trade was Building (9) and the Metal Trades(8). Numbers continued falling immediately after the war but stabilized in the 1920s. I reproduce **above** table 4 from Derek Jones chapter 'British Producer Co-operatives' that provides the key aggregate statistics for the C P F Co-partnerships from the 1920s until 1970.¹⁴

The figures reveal a relative stagnation (or stability)

12. Bonner, A. p115

13. *ibid*, p108

14. Jones, D, 'British Producer Co-operatives' in The New Worker Co-operatives, ed. Ken Coates, Spokesman Books, Nottingham, 1976, p42

between the period 1925-1945 in co-operative society numbers but steady growth in employment, sales and reserves. (The fall in employment between 1940 and 1945 being explicable by the War). Then a period of slow decline in the 1950s. The C P F has now wound up its activities and the remaining 8 societies are currently being serviced by the Co-operative Union. The final decline of the CPF is dealt with in Chapter 11.

What Derek Jones did with his research into these co-operative co-partnership was to examine Beatrice Webb's arguments against producers co-operation together with her forecasts as to the fate of these societies and tested those forecasts against the reality. The two issues he examined were firstly survival and secondly the democratic control content of producer co-operatives.

"On this score the views of the Webbs are crystal clear. The future Mrs Webb, for example, claimed in 1891 that, "It is the very form of Associations of Producers that is ill-adapted to survive." In 1921 she and her husband state, "All such Associations of producers that start as alternatives to the capitalist system either fail or cease to be democracies of producers."¹⁵

In terms of survival Derek Jones presents two tables firstly showing that between 1895 and 1963 the average age of producer societies for the oldest quartile, the median and the youngest quartile are all rising steadily. On the basis of measurement techniques

15. *ibid*, p45

applied for the Bolton Committee's inquiry into small firms in 1963 the co-operative co-partnership in comparison with capitalist firms of a similar size showed a greater propensity to continue in existence. On the issue of whether or not these co-operative co-partnerships would degenerate into capitalist firms, again Jones presents evidence to refute Beatrice Webb's conclusion. The determinates of employee participation were judged by Beatrice Webb to be,

- a. Proportion of Workers on the Management Committee.
- b. Proportion of Equity owned by the workers.
- c. Proportion of Employees who are members.
- d. Proportion of Members who are employees.

"Using measures of participation suggested by the Webbs the tendency even between 1890 and 1913 was toward increased average participation. For example, using their apparently preferred measure, more than 41% of societies in 1890 had a committee of management in which fewer than 15% of the members were employees, whereas the percentage of societies in this category had shrunk to 14% in 1913. Moreover, inspecting the same table for later years, we see that the upward trend in average participation continued until the mid-1950s. While few societies were completely self-governing, in the sense of employee majority control of the Board, more and more societies were becoming more self-governing. Thus, in 1890 only 28% of societies had committees of management in which the majority of members were employees. But by 1936 the comparable figure was 47% and by 1954, 62%."¹⁶

16. *ibid*, pp52-53

5.4 Why did the Co-partnership Movement fail to maintain its momentum?

Derek Jones' careful analysis and refutation of the pessimism of Beatrice Webb is to be welcomed insofar as it shows that worker co-operatives a) can and do survive and b) do not automatically degenerate into mini capitalist concerns. But the case for worker co-operatives can hardly stand on the record of the co-partnership societies alone. Important questions remain. Firstly, nothing in the article by Jones explains why they failed to increase in number (see Table 5.1 - Jones' Table 4 reproduced - above). Arnold Bonner raises this question as he reviews their performance during the inter-war years.

"The existing co-partnership societies were efficient, the severe slump of 1920-1922 was survived, the economic blizzard of the early thirties was weathered, but as a movement they ceased to grow. Few new societies were started and new industries were not entered. Yet the prospects appeared to be exceptionally favourable for the establishing of new societies. Capitalism, for example, was productive of a large number of new enterprises, most of them small."¹⁷

Bonner presents his own explanation in the following terms:

"... it was a fading idealism which was responsible for the failure to take advantage of the opportunities presented and the old urge to missionary endeavour appeared to have died. No other branch of the Co-operative Movement depended so much for growth upon an altruistic idealism. For it is the pecuniary interest of the consumer that the trade and production of the consumer societies should increase in volume and variety, and this

17. Bonner, A, p173

interest in itself is an incentive to growth. There is no such pecuniary incentive for the member employee of the productive society to encourage the formation of societies in industries other than his own. The drive for the progress of this form of Co-operation depended upon an idealism transcending individual self-interest which the education and propaganda of these societies failed to maintain."¹⁸

It is perhaps easy to be dismissive of this proposition - to call it a mystification and a simplification - and to some extent it is both these things. Was the consumer really the driving force for Co-operative Growth? Was not management ambitions at least an equal component? The record will show that, one member one vote notwithstanding, Co-operative Management had far more influence on the direction and pace of development than did the members. In the case of Co-partnership the management seem to have been less ambitious. Simply to state this proposition is to refute such an idea. Co-partnership Managers did not go for expansion; for diversification - vertical and horizontal integration like their big capitalist rivals because like small manufacturing in general they lacked the capital resources so to do.

In fact Bonner is incorrect to suggest that at this time there were no producer co-operative initiatives. G D H Cole reminds us that a large scale and aggressive form of workers co-operation did briefly surface in the 1920s.

18. *ibid*, p173

"The Building Guild Movement, with the support of the Trade Unions spread with extraordinary rapidity from one end of the country to the other ... But, by the time the Building Guild needed help the Trade Unions had other things to think of: wages were falling: unemployment had become severe. Trade Union funds were needed to support men locked out or on strike against wage reductions ... they could not be spared for investment in the risky venture of a Guild ..."

As for the CWS Bank:

"As soon as the Guilds business had to be put on a risk-bearing basis the CWS bank drew in its horns ... I am not saying that it was wrong in doing this: I am merely pointing out that the Consumers Movement is unlikely, however, much capital it may dispose of, to become the financier of future productive ventures unless they are to be conducted under its own control. The CWS has its own factories - its own building department."¹⁹

In the example of the Guilds we see again what happens to largescale Trade Union initiatives. This was another case of 1852 being re-run only this time in the building trades. Secondly, apart from the Trade Unions the only major source of finance open to producer co-operatives is the retail movement and the CWS. This is as true for existing co-partnership co-operatives requiring the capital to grow as it is for new ventures like the Building Guild. Essentially, these co-partnerships only operated within the confines permitted by their capital backers - the consumer societies. They were not likely to be supported breaking into industries in which consumer society production was established or likely to be

19. Cole, G D H, p291

established.

"In effect, Industrial Co-operation among producers exist in Great Britain only as an adjunct to the Consumers' Movement on which it entirely depends. Its range is narrow, and the trades in which it has established itself are among those which have a high ratio of labour cost to total cost - in other words, do not require very expensive capital installations or materials of which the cost is high in relation to the value added by manufacture ..."²⁰

Another point that Bonner fails to consider is the extent to which profit sharing denied the workers sufficient surpluses to generate their own capital for expansion and investment.

"In 1938, out of an aggregate surplus of £115,000 the Societies for which particulars are available allocated £34,000 as a bonus to labour, £5,500 as a return on capital additional to standard interest (in most cases 5%), £52,000 as dividend on purchases to their customers, £2,600 for education, and £2,700 for charity the remainder going mainly to reserves. Thus dividend on purchases absorbed nearly half the surplus substantially more than the "bonus to labour" - a significant sign of the intimate connection between the Producers' Societies and the Consumers' Movement."²¹

Even in the areas where producer co-operatives were established in some numbers we read that by 1938:

"... the CWS alone produced boots and shoes of well over twice the value of the Producers Societies products, and clothing of comparable types of approximately the same value. The CWS Printing Workers turned out

20. *ibid*, p395

21. *ibid*, p395

six times the value of the work done by the Producers' Printing Societies ..."²²

Such CWS expansion leaves little room for CPF co-operatives to grow. What we can see here are a number of very objective answers to Arnold Bonners question. But we still do not have a sufficient explanation.

Another important part of the explanation lies in the perspective, at that time, of professional management itself. The intellectual climate of management during the interwar years was dominated by the ideas of Taylor and popular management consultants like Bedaux. Such models of management processes were hardly conducive to worker co-operative principles, as they emphasized instrumental and hierarchical management approaches. However, attitudes and practices changed profoundly after the second world war. It may well be that the evolution of management theory and the older co-operative co-partnership ideas are moving onto convergent paths.²³ Many management consultants today urge more employee participation and shareholding in the business. The emphasis in job design is towards giving employees greater responsibility and involvement in decision making. But to return to Arnold Bonner's

22. *ibid*, p395

23. Poultney, G J Management Theory and Producer Co-operatives - Convergent Paths Unpublished M A Thesis, Leicester Polytechnic, School of Management 1981

explanation of the failure of Co-partnerships to expand in terms of "lack of idealism", despite what has just been said by the way of addition and qualification there is something important in this point. The record of the history of the Co-operative Movement - particularly in its efforts at establishing workers co-operatives - shows what an enormous contribution pure idealism made - Owen, King, Christian Socialists and the Redemptionist were not driven by personal greed or ambition - they gave unstintingly of their time and their money for others benefit. No better example of this can be found than in the person of E V Neale and more recently still Thomas Blandford who virtually worked himself to death for the Co-partnership cause. As we have seen idealism and self-sacrifice alone will not and cannot create the conditions for success. But Bonner is right to note its absence. Idealism is the "Entrepreneurial" spirit of socialism and nothing will be ventured or risked in its absence. In our analysis of the History of Producer Co-operatives during this period we must remember not just the wider Co-operative context but also the wider social/political context of these times. As we noted at the outset of Chapter 3 co-operation was and is very much a product and response to the wider social context.

The interwar period had been one of defeat and reversal for the Labour Movement. For the Trade Unions 1926 spelt the defeat of the most idealist and militant forces within the class and subsequently under Walter

Citrine the Labour Movement became more bureaucratized, centralized and cautious. Idealism was having a tough time. The League of Nations collapsed: Hitler triumphed in Germany and Stalin directed the Communist Movement into rigid and, prior to the Popular Front, sectarian lines. The idea of the Unity of the Co-operative Commonwealth of Workers must have seemed like a rose trying to push up through concrete.

It may be significant in respect to this lack of idealism to recognise that the Co-partnership Co-operatives were perhaps not the form of producer co-operatives likely to inspire enthusiasts like J J Dent, who as a civil servant carried out what has been the most comprehensive government survey of productive co-operatives ever undertaken.²⁴ Dent's analysis is instructive as it presents the "left-wing" critique of Co-partnership. The attacks on Co-partnership and Worker Co-operatives in general by supporters of the Consumer Movement have to some extent overshadowed objections from the very opposite pole of opinion.

5.5 The Report and Critique of J J Dent

The acceptance of the validity of Dent's work by the movement as a whole is evidenced in the following.

The minutes of the United Board of the Co-operative

24. Dent, J J, Report on Workmens' Co-operative Societies in the United Kingdom H M S O, London, 1902, (Cd 698)

Union Ltd., on Friday December 20th 1901 record:

Minute 4. Report on Workmens' Co-operative Societies.

"The Chairman (T Gidley) called the attention of members of the board to a report on "Workmens' Co-operative Societies", recently issued by the Labour Department of the Board of Trade. Several members of the board expressed their appreciation of the manner in which the report had been got up. It was admitted by all to be the best report relating to co-operative statistics which had ever been published. Resolved:-

That the General Secretary be authorised to express to the Board of Trade (Labour Department) the thanks of this board for the very valuable, correct, and exhaustive report published in regard to co-operative societies."²⁵

Yet Dent's report and his subsequent critique has been largely ignored by the movements, historians. That the reports author was a keen supporter of producers co-operation may be deduced from the paper he gave to a meeting in Bristol to promote the Co-operative Aid Association in 1888.²⁶ Referring to the ideas of Dr William King (60 years previously to the time Dent was writing who saw shopkeeping as a preliminary stage in accumulating sufficient capital to enable workers to enter co-operative production) Dent wrote, ...

"Since that time we have been working away at this preliminary operation of shopkeeping, and have seemingly become so engrossed in the task of making the tools that we have

25. Co-operative Union Ltd., United Boards Minutes for Meeting at 6.00 pm, Friday 20th December 1901. Chairman, T Gidley, General Secretary J C Gray.

26. Dent, J J, How to Promote Co-operative Production Co-operative Printing Society Ltd., London 1888

forgotten almost entirely the work for which we were preparing them ... And still we go on, seeing a continual struggle between the labourer and his employer, a struggle in which the worker is handicapped by his want of control over the labour-saving appliances, which the wealth of the capitalist has secured, and which, instead of lightening the load of labour from, his shoulders, is increasing the wealth of his employer, and in some cases enabling the labourer to be dispensed with altogether, ... and so profitable has appeared the immediate gain of storekeeping, that the protest has as yet had but little effect, with the result that the position of the worker as such is still that of the servant of the capitalist who is far more farseeing than he, and who wisely invests his capital, not only in distributing that which has already been produced, but in employing the worker to create for him new wealth, which in its turn is used to give him a more powerful hold over the destinies of the men who create it ...

... There are those who fear that the wholesale machinery is not the best suited for the more difficult work of production, and that the position of the worker when employed by the machine of organised consumption, is in danger of finding himself in a more helpless position than before, and that in any case he will not have the same opportunities for developing his powers of self-government as he would have if he were organised into separate productive workshops where capital, partly his own and partly belonging to his fellow-workers, is placed at his command, and this responsibility of working out his own redemption²⁷ thrown upon him."²⁸

27. The use of the word 'redemption' by Dent is not a coincidence. That Dent was an avid collector of early co-operative literature was recorded by Bonner in his biographical sketch (all of which Dent bequeathed to the Co-operative College). I approached the Co-operative College Library in the hope that Dent might have collected the Herald of Redemption and there discovered among the uncatalogued materials in the archives was a complete set of the Redemption Societies journal which I believe Dent had collected, bound and given to the Library

28. *ibid*, ppl-2

Yet when over a decade later Dent came to review the progress of what is generally presented as the boom period for producer co-operatives in an article where he distils the findings of his Report, he is scathing and despondent about the results. Firstly some of the key statistics. Dent estimated that only 11% of all Co-operative production was carried out by Workingmens' Producer Co-operatives.²⁹

"So far from the productive society of today being the "association of the labourers themselves," we find that of the total individual membership of these associations in Great Britain at the end of 1899, 15 per cent only consisted of persons employed by the associations. So far from the labourers "collectively owning the capital," we learn that "these employees held amongst them about 9 per cent of the total share and loan capital of the associations ...

With the ideal of the labourers "working under managers elected and removable by themselves," contrast the actual facts: "So far as the particulars can be obtained, about a quarter of the total production by these associations is due to associations, the managing committees of which are effectively controlled by the employees, and about two-thirds to associations, the management of which is practically in the hands of persons other than the employees." The ideal pursued in the early productive associations was that the whole of the profits should belong to the workers; but the figures given in the Report show that, out of a total profit of £47,259, the division of which was returned by the productive associations in Great Britain (other than Corn-mills and the associations comprised in the "Bread-making and other foods" group, nearly all of which are, like the corn-mills, consumers' associations), the share of the workers in these profits amount to no more than £14,944, or 31.6 per cent,

29. Dent, J J, (Under pseudonym of 'X' because of his civil service status at this time) "The Present Ideals of Co-operation" in the Economic Journal, No 45, Vol XII, MacMillian and Co Ltd., London, March, 1902.

capital taking £19,562, or 41.4 per cent, and the remainder, amounting to £12,753, or 27 per cent, going to the customers of these societies as a dividend on purchases.

If, as is clear, the modern productive associations are not self-governing workshops owned and managed by the work-people employed in these workshops, in whom (it will be asked) is the ownership and management of these undertakings actually vested? So far as ownership is concerned, the figures given in this Report show that, taking together the whole of the productive societies in Great Britain (other than corn-mills and bread making, etc. societies) as to which information on this point is furnished, their aggregate capital (share and loan) at the end of 1899 amounted to £603,313 of which £71,969 (11.9 per cent) was owned by employees, £197,002 (32.7 per cent) by other individuals, and £230,697 (38.2 per cent) by other co-operative societies - almost without exception retail distributive societies - the balance of £103,645 consisting of bank overdrafts and loans from non-members."³⁰

Dent continues at a later stage in the article,

"It is evident that the amount of influence actually possessed by the employees in the conduct of the affairs of co-operative societies today, is, when compared to that assigned to them by the early ideals of Co-operation which the Christian Socialists borrowed from France, almost insignificant. Nor should it be supposed that this change is entirely due to the fact that the productive societies required the assistance of the rich consumers' associations, and in order to obtain that assistance, have had to allow these associations a constantly increasing share in control. There can be no question that this revolution in the practice of Co-operation corresponds closely with a deliberate alteration in the ideal pursued by the advocates of co-operative production - an alteration which can best be explained by setting forth textually the official declaration made by the most active organisation concerned with promoting the new system of Co-operation. This system, to which the name of Labour Co-partnership is given, is officially defined in the journal of the

Labour Association as the system under which, in the first place, a substantial and known share of the profit of business belongs to the workers in it, not by right of any shares they made hold, or any other title, but simply by right of the labour they have contributed to make the profit; and in the second place, every worker is at liberty to invest his profit; or any other savings, in shares of the society or company, and so become a member entitled to vote on the affairs of the body which employs him ...

While, as will be seen, the whole of the profits are no longer claimed for the employees, the share in control, which is now asked for them, is of an extremely modest character and such as to be quite consistent with the virtual predominance of the consumers' societies in the management of the productive associations ...

Enough has now been said to indicate the new trend of the co-operative ideals. It will be seen that the co-operative productive society, instead of being, as originally contemplated, an autonomous association of self-employed workmen, owning the capital, managing the business, and taking the profits, is more and more every day becoming in the main, a federation of consumers' associations, in the ownership and management of which the work-people employed by the society have but a small part. Thus the victory of the English ideal of organisation by the consumers over the French ideal of organisation by the producers appears now to be, on the whole, all but complete.³¹

Little wonder the "idealists" were not attracted to Co-partnership! Such a critique and summary of this period of worker co-operative development, by not only an able, knowledgeable contemporary but by a committed contemporary (J J Dent was also a member of the Southern Regional Board) cannot be easily set aside and yet there has been absolute silence by the historians of the Co-operative Movement on Dents findings on

31. *ibid*, pp39-41

Producer Co-partnerships. Only Ernest Aves, so far as I have been able to discover gives reference and credit to Dent when in the preface to his book in 1907 wrote

"In its production I have been placed under obligation to many, but especially to Mr J J Dent of the Board of Trade, who has not only given me the benefit of his long, intimate, and exceptional knowledge of the Co-operative Movement, but has with very great kindness undertaken to bring figures when necessary up to date, and see the volume through the press during my absence from England."³²

Although Aves cites Dent's statistics and almost repeats the summary of them as given by Dent in the article quoted above he does not elaborate or support in his chapter on Co-partnership any of the conclusions that Dent himself drew. Aves' own view of Co-operative Production in general and workers co-operatives in particular is as follows:-

"Perhaps the most important conclusions that can be deduced from the modest position that productive co-operation at present occupies, is that a satisfactory and appropriate form of business structure must be contingent not only upon the particular characteristics of individual trades, but also upon the available reserve of business capacity and mutual trust. The whole canon of the co-operative faith may be true, on certain premises, but it is clear that in practice it can only be acted upon partially, as conditions may determine. It is a remarkable fact, for instance, that one of the most successful co-operative productive societies in existence, some consider almost the only genuinely independent and democratic unit, was started when the operatives were exhausted by a strike and quite unable to raise any capital of their own. All of it, therefore was loaned by outside sympathizers, and one of the first conditions of

32. Aves, E, Co-operative Industry, Methuen & Co, London, 1907

responsibility was thus apparently lacking, and thus also one of the first conditions of stability and success. But the right men were members. Above all, the right man was found to fulfil the position of manager, and the success that few ventured to anticipate, has been won. Even among co-operative undertaking, therefore, conditions will have determine constitution, (my emphasis) and those who boggle at variety and elasticity, either within or without the co-operative field, will be in danger of finding themselves in the grip of stifling and restrictive orthodoxy."³³

Here we have a gentle rebuke to Dent's pessimistic appraisal of co-partnership as well as an example of just the point Dent was making that workers can govern their own business successfully even on loan capital. But the key perhaps in Aves' comment is the phrase "the right man" as management failure has been shown to be so important in other cases. Also with the benefit of hindsight - as Derek Jones was able to look back over an extensive time period we can see that Dent's judgement was perhaps a little too harsh in terms of the direction of control. However, one must be careful not to read too much into Derek Jones' analysis - his measures of "participation" in terms of board membership leaves a lot to be desired as many studies on worker director efficiency indicate.³⁴ A recent study of the levels of worker participation at a

33. *ibid*, ppl88-189

34. Non-management directors were in the majority during the Post Office experiment but the Management denied the Board effective control. See the New Statesman, 21 - 28 December 1979, London, p965

long-established Producer Co-partnership showed only a limited involvement by the workforce.³⁵ Despite the organisational, capital ownership, and management control differences between the Christian Socialist (French) model of Associations of Workers or Self-Governing Workshops and the Co-partnership model, the two forms of worker co-operative shared one common and possibly crucial element in their make up. Both forms of co-operative were responding to the same socio-technical strata of the workforce - the industries may have been different - we are after all looking at different stages in the development of the nineteenth century capitalist labour process - but the situational response and the strata of workers in both cases is identical. We saw how the Society for the Promotion of Workmens' Associatons had identified the skilled artisnal worker as the most likely strata to succeed in these endeavours. It was precisely this strata that provided the impetus to the Co-partnership wave of Producer Co-operatives.

The stronghold of this new movement came to be neither the North nor London,... but the East Midlands; and the boot and shoe industry was the sphere of its most extensive success. The main reason for this was that in the eighties and nineties the boot industry was passing through a technical revolution which was converting it from a workshop trade into a factory trade based on elaborate power driven machinery. This technical revolution was accompanied by many strikes, and aroused much hatred among the skilled workers, who detested the new factory conditions; and several of the new Producers'

 35. Poultney, G J. , Management Theory and Producer Co-operatives: Convergent Paths?, Leicester Polytechnic, 1981, Part V.

Co-operatives were the outcome of strikes. They came into being mainly among the highly skilled workers making men's boots, which did not lend themselves so easily to the new methods as the lighter women's and childrens wear. There was a good market in the Consumers' Co-operative Movement for strong workmen's boots; the Producers' Societies set out to maintain high standards of quality and durability and to establish the reputation of their products by branded trade marks and by building up close relations with the retail stores which became their principal customers ... Most of these societies were small, the largest, at Leicester having a turnover in 1900 of £47,000 ... the area over which the method of Producers' Co-operation could be effectively applied was small, being practically confined to trades which a) used a high proportion of skilled labour, b) did not need very expensive capital equipment and could be carried on economically on a fairly small scale and c) could market most of their products through the Consumers' Societies."³⁶

What comes through clearly from the above and from Tables 5.2 and 5.3 below is the interesting fact that the worker co-operative initiatives during the co-partnership period like the Christian Socialist/Redemptionist before them concentrated, perhaps unwittingly, on the rearguard rather than the vanguard of the forces of production and accumulation. The promoters of worker co-operation thereby ignored the overwhelming majority of workers and left private capital without challenge to accumulate its forces of production in precisely the most profitable areas. Little wonder that the Trade Union Movement, as it grew in the last quarter of the nineteenth century and consolidated in the first half of the twentieth saw

36. Report on Workmen's Co-operative Societies in the United Kingdom, ppl60-191

little more than a marginal prospect for a workers' co-operative movement that offered little to the great reserve army of unemployed labourers - precisely the group that most held back trade union development and bargaining power. Nor should we expect technologically backward sectors of an economy to be able to generate large surpluses to keep pace or even gain on developments within the private capital sector.

5.6 Dent's Survey of Worker Co-operatives at the Turn of the Century

The material used in tables 5.2 and 5.3 below have been derived from tables 39 and 40 in Dent's report. Table 40 is entitled by Dent "Division of Profit in 1898 by 98 Workmens Productive Societies." In view of the fact that the CWS and Retail Society federals had stopped profit sharing long before this date with the exception of the Scottish CWS which continued the practise until 1914 - it may be assumed that these societies listed by Dent are in the main co-partnership. From Dent's table 39 has been added the year each of these societies was established and their total capital and total sales figures for 1898. The Cornmilling, Food Preparation, Dairying and Agricultural Co-operatives as well as one or two productive societies wholly owned by the CWS which Dent included in his original tables have been omitted. The inclusion by Dent of these societies is evidence, however, that even in 1898 there was some examples of profit-sharing south of the boarder outside the Co-partnership Movement. Any society which did not

have complete returns or which had just been established that year has also been omitted from tables 5.2 and 5.3 below. Thus, the tabulated data below is far from complete nor can one be entirely certain that one or two societies other than workers co-partnerships and/or co-operatives on the earlier model have not been inadvertently included. However, despite this unsatisfactory position the tabulated information is worth examining. For the great majority are what is claimed, that is workmen's co-operatives as opposed consumer movement productive organisations. Secondly whilst not necessarily giving the total number, the table provides a large and significant sample from which it may be realistic to draw broad conclusions as to the general state of the workers co-operative sector at the end of the nineteenth century.

TABLE 5.2

Trade & Title of Society	Year of Establishment	Total Capital 1898	Total Sales 1898	Number of Employees 1898	Age of the Society
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Building Trades

England & Wales

Cambridge Builders	1895	261	778	2	3
Co-operative Builders (London)	1888	1779	9438	34	10
General Builders (London)	1892	4837	6940	52	6
Kettering Builders	1894	4337	9050	41	4

Leicester Builders	1896	4371	9973	40	2
Oxford Builders & Decorators	1889	210	1814	17	9
Plymouth Decorators	1893	134	476	3	3
<u>Quarrying</u>					
England & Wales					
Howley Park Quarry	1872	9823	25291	240	24
Scotland					
Condorrat Quarrying	1892	1185	3613	33	6
<u>Engineering</u>					
England & Wales					
Keighley Ironworks	1885	6908	8672	42	13
Leicester Engineers	1894	1065	1460	11	4
Long Eaton Engineering	1898	202	912	4	0
<u>Ship Building</u>					
Medway Barge Building	1892	1237	573	10	6
Union Ship- building (Blyth)	1869	300	3135	25	29
<u>Other Metal Trades</u>					
Bromsgrove Nail Forgers	1887	744	1850	80	11
Calderdale Clog Sundries	1892	919	2785	18	6
Co-operative Padlock (Walsall)	1873	7254	16671	199	25

Coventry Watch	1876	2616	3857	22	22
Dudley Bucket & Fender	1888	5232	18586	99	10
Northern Iron & Tinsplate (Durham)	1895	2302	2669	30	3
Sheffield Cutlery	1873	1524	1758	54	25

Textiles & Clothing

England & Wales

Airedale Worsted	1872	7837	17017	36	26
Eccles Manu- facturing	1861	20670	17001	81	37
Hebden Bridge Fustian	1870	40385	44599	335	28
Leek Silk Twist	1874	4423	15040	66	24
Leek Trimming	1896	701	1114	12	2
Leicester Hosiery	1876	43057	57752	244	22
Nelson Self-Help	1888	5207	25386	168	10
William Thomson & Sons (Huddersfield)	1886	24032	22708	113	12

Boot & Shoes

England & Wales

Desborough Boot & Shoe	1892	2487	10447	93	6
Finedon Boot & Shoe	1886	4514	18783	93	12
Glenfield Progress Boot & Shoe	1892	1987	7109	50	6

Higham Ferrers Boot & Shoe	1892	715	5027	35	6
Kettering Boot & Shoe	1888	12132	34712	200	10
Leicester Anchor Boot & Shoe	1893	2610	9511	78	5
Leicester Co-operative Boot & Shoe (Equity Shoes)	1886	25186	45325	296	12
Leicester Self-Help	1895	610	2302	26	3
Nantwich Boot & Shoe	1890	1455	4243	50	8
Northampton- shire Productive (Wollaston)	1881	2168	14681	126	17
Norwich Boot & Shoe	1885	592	2317	15	13
Raunds Productive	1886	3907	18744	167	12
St Crispin (Raunds)	1891	4264	21766	24	5
Sperope Boot	1891	2962	7226	48	5
Union Boot & Shoe (Kettering)	1895	1030	6297	47	3
<u>Other Clothing</u>					
Kettering Clothing	1893	14191	27868	265	5
Kettering Corset	1893	1650	3493	106	1

Printing, Bookmaking Publishing Trades

England & Wales

Bookbinders' Co-operative (London)	1885	419	797	7	13
Co-operative Typewriters' (London)	1896	120	182	3	2
Coventry Printing	1896	28	742	4	2
Hull Printers	1897	403	645	7	1
Leicester Printing	1892	3681	3769	40	6
Nottingham Printing	1895	806	1421	11	3
Photographic Co-operative (Maidstone)	1893	152	260	2	5

Woodworking & Furnishing Trades

England & Wales

Bolton Cabinet-makers	1892	1015	4311	32	6
Bristol Pianoforte	1893	1649	994	6	3
Household Furnishing (Newcastle on Tyne)	1873	26243	18366	140	25
Newcastle on Tyne Cabinet-makers Staveley Bobbin	1880	2325	2414	24	18

Pottery & Brick-Making Trades

England & Wales

Kent Brick-making (Teynham)	1892	6854	8280	55	6
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Leather Trades

England & Wales

Canterbury

Tanners	1895	4620	2694	12	3
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Walsall Horse

Collar & Leather	1891	414	1805	13	7
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Aggregate Figures for Table 5.2

Total Number of Societies: 61
 Total Number of Employees: 2745
 Total Capital (Share, Loan and Reserve): £335158
 Total Sales: £598764
 Av. Age: mean = 10 years, mode = 6 years
 Av. No. of Employees: mean = 45,
 mode = 10-20 employees (9)

Table 5.3 Aggregate Figures for the major sectors represented in this sample

	No. of Socs.	Av. Age	Average No Employees per Soc.	Total Capital £	Total Sales £	Sales to Total Assets: Activity Ratio
Building Trades	7	5	(mean) 27	15,949	38,469	2.4
Engineering and Ship-building	5	18	" 18	9,712	14,752	1.5
Other Metal Trades	7	14	" 78	20,591	48,176	2.3
Textile and Clothing	10	16	142	162,153	231,978	1.4
Boot and Shoe Trades	15	8	" 90	66,619	208,490	3.1
Printing	7	4	10	5,609	7,817	1.4
Wood-working	5	11	49	31,559	30,099	.95

This above table excludes 2 quarries (240 and 33 employees) 1 brick-making co-operative (55 employees) and 2 leather trades co-operatives (12 and 13 employees).

These societies' figures are included in the Aggregate Figures for Table 1.

It is perhaps worth noting from the aggregate figures that 21% of these co-operatives employed over 100 staff - the largest being Hebden Bridge Fustian with 335 employees and that 18% of these co-operatives were over 20 years old - the oldest being in the Textile Trade, Eccles Manufacturing at 37 years founded in 1861.

5.7 Conclusion

Between 1898 and 1930 between a third and a half of these producer co-operatives had disappeared. However, often the trades/industries that they operated in had also disappeared. Barge-building, nail forging, clog sundries, bucket and fender making to point up the more obvious trades. As Bonner writes, of the 43 societies left,

"In 1930 of these societies 8 were in the clothing trades, 17 in footwear and 12 in printing."³⁷

All my examples of extinct trades comes from the group listed 'Other Metal Trades' and this strengthens the argument that we need an explanation for the shape and failure of production co-operation in terms other than of the co-operatives internal workings. The average life-span of co-operatives in this group was 14 years and one of their number (Walsall Locks) survived until 1986. By trying to continue to employ workers in their

37. Bonner, A pp172-173

traditional trades workers' co-operatives missed the new technologies that were emerging and were to offer employment to millions of semi and unskilled workers.

The last quarter of the nineteenth century was the period that saw the developments of electric power, chemicals and the internal combustion engine! All these industrial opportunities were not beyond the combined resources of the movement to have invested in at that stage. The first internal combustion engine appeared in 1876 and in 1895 the first diesel engine was invented. As long ago as 1831 Faraday had propounded the principle of the dynamo and in 1884 the first modern turbine engine was produced.³⁸ Towards the end of the Co-operative Co-partnership phase in the interwar years there was no real attempt to recognise that whilst the labour movement fixed its attention on the casualties of a previous labour process now in decline, capitalism was always going to have moved on ahead.

"The industries which declined most between 1923 and 1938 were cotton and coal, certain sections of the iron and steel industry, the boot, shoe and slipper industry and the jewellery and watchmaking trades. In contrast to the decline of these old established industries, certain new ones expanded rapidly in the same period. All kinds of electrical work - electrical engineering, wiring and contracting, cables, lamps...heating and ventilating apparatus, certain types of constructional engineering, silk and artificial silk, the latter being

38 . Gregg, P A Social and Economic History of Britain, George Harrap and Co Ltd, London, 1965, pp382-383

one of Britain's most successful new industries, stationery and typewriting requisites."³⁹

By the interwar period nearly half the working population were engaged in non-productive services second to distribution came consumer services such as laundries, catering, sport and entertainment, commerce and finance, professional and personal services.⁴⁰

In none of the expanding new industries did the Co-operative Movement make any serious effort to invest - except the one that it stumbled into - retailing - and here its successes over this period are well documented. Had the C P F set up one motor car plant instead of a hundred small workshops in the declining industries or labour intensive skilled trades, it might have had an economic success to rival that of the consumer movement. The productive movements "vision" remained firmly fixed on the industries and technologies of the past. With these they tried to establish the social relations of the future - they too failed - they could not have done otherwise.

39. *ibid*, p432

40. *ibid*, p432

PART THREE: THE MORAL AND POLITICAL
ECONOMY OF REDEMPTION - AN EVALUATION
OF THE ENGLISH LABOUR ECONOMISTS

CHAPTER 6 - THE WORKS AND INFLUENCE OF DAVID RICARDO

6.1 Introduction

In tracing the historical development of the movement for worker co-operation through its three main phases; Owenite; Redemptionist/Christian Socialist, and Co-partnership, it is now necessary to examine in some detail the contribution of early to mid-nineteenth century economic theory as it touched upon the aspirations, informed the polemics, and influenced the strategy of these early co-operators. Such an examination cannot but take the works of David Ricardo as its starting point for two reasons. Firstly Ricardo was pre-eminent at this time among economists. Secondly, as we saw in Chapter 4 Ricardo is considered, by virtually everyone who writes of them, from Marx to Cole, to be the inspiration for the English Labour Economists, who were themselves acknowledged to be of importance for the development of pre Marxist socialist ideas.

Reference has already been made in Chapter 4 to J F Bray, whom Marx quoted extensively in the Poverty of Philosophy (1848) and in Chapter 7 his work Labours' Wrongs and Labours' Remedies (1839) will be evaluated. It is clearly Bray's writings that played a major part

in the development of the Redemptionist strategy. However, in this re-evaluation reference will also be made to the works of Thomas Hodgskin, Labour Defended Against The Claims of Capital (1825) and Popular Political Economy (1827) and William Thompson, An Inquiry Into The Principles of the Distribution of Wealth (1824) and Labour Rewarded (1827).

In Chapter 8 we shall go on to discuss the contribution of the English Labour Economists to the evolution of Marx's own ideas and to identify any distinctive elements in their writings that may lead to the consideration of an alternative socialist analysis to that of Marx. Such a possibility is of more than historical interest. Ricardo, once disposed of by Marx, has, through the works of P Sraffa, Production of Commodities by means of Commodities (1960) and his previous editing and republication of Ricardo's entire work starting with Vol. 1. On the Principles of Political Economy and Taxation (1951), become the focus of considerable debate amongst Marxist economists and those for whom demand side Neoclassical and Marginalist economic theories were felt to be inadequate. The Neo-Ricardian-Marginalist debate continues currently. Despite making some important contributions to much of the new economic thinking on the left, following the faltering of the Keynesian prescriptions for economic management, this resurgent Neo-Ricardianism has failed so far however, to develop concrete strategies capable of being translated into popular movements.

From the standpoint of the British Labour Movement, an alternative to the Marxian/Neo Ricardian strategy and analysis could have important implications. An alternative option of Co-operative Development working within the constraints of our contemporary economy could prove to be a practical and attractive idea.

6.2 David Ricardo - A summary of his Theories

Mark Blaug has written of Ricardo,

"With the possible exception of Karl Marx, no great economist of the past has received so many divergent and even contradictory interpretations as David Ricardo ... On every question, there were at least two, if not three Ricardos."¹

It would require a thesis in itself to do justice to this debate. What follows here is no more than a general statement of what are broadly accepted to be Ricardo's key economic positions followed by a rather more detailed investigation of the two areas of Ricardo's analysis that Engels identified as being particularly influential on English Socialist thinking.

"In so far as modern socialism, no matter of what tendency, starts out from bourgeois political economy, it almost exclusively links itself to the Ricardian theory of value. The two propositions which Ricardo proclaimed in 1817 right at the beginning of his Principles, 1) that the value of any commodity is purely and solely determined by the quantity of labour required for its

1. Blaug M. "What Ricardo Said and What Ricardo Meant"
Ch 1 The Legacy of Ricardo, Caravale, G A ed., Basil
Blackwell, Oxford 1985 p3

production, and 2) that the product of the entire social labour is divided among the three classes: landowners (rent), capitalists (profit) and workers (wages), had ever since 1821 been utilised in England for socialist conclusions, and in part with such sharpness and decisiveness that this literature, which has now almost disappeared, and which to a large extent was first rediscovered by Marx, remained unsurpassed until the appearance of Capital."²

The principal concern of Classical Political Economy of which Adam Smith and David Ricardo are considered to be the most important exponents, was to give an account of the inter-relationship between production, distribution, consumption and exchange. In particular the classical economists were anxious to explain how a commodity acquires its value in exchange and how that value was determined and regulated.³ As Ricardo put it,

"Two commodities vary in relative value, and we wish to know in which the variation has really taken place."⁴

The classical economists identified a number of categories that they felt to be central to the analysis of this new science of Political Economy. The relation between values and prices, the distinction between natural prices and market prices and the relative importance of costs, utility and rarity in determining

2. Engles, F Preface to The Poverty of Philosophy 1st ed Karl Marx, 1848 reprinted Progress Publishers Moscow, 1955 p6

3. Carver, T Karl Marx, Texts on Method, Basil Blackwell, Oxford, 1975, p6

4. Scraffa, Piero ed The Works and Correspondence of David Ricardo, Vol 1, C.U.P., Cambridge, 1951 pl7

prices was the subject of much debate. So also was the question of the laws governing the distribution of wealth between the three categories of economic activity, Land, Capital and Labour for which the rewards were identified separately and respectively to be Rent, Profit and Wages.

St Clair has claimed that Ricardo's economic writings can be distilled into nine basic propositions:⁵

"1. The object of industry is to produce things that are desired, and which cannot be obtained without labour. Things that no one desires will have no value; but neither will they be produced.

2. Neither desire nor utility is capable of explaining the relative values of those commodities which can be multiplied indefinitely by human labour. The clue to their relative values or prices is to be found in their relative costs of production. What costs two days' labour is worth twice as much as what cost one day's labour; but the labour bestowed on the production of tools, etc., must be taken into account.

3. In the case of commodities which can be multiplied indefinitely, but only at the expense of an increasing quantity of labour, their value or price depends upon the quantity of labour required to produce that part of the supply which costs most labour to produce.

4. Instances of No. 3 are food and other products of the soil. The most fertile and most favourably situated lands are naturally the first to be cultivated. When population increases men are necessarily driven to cultivate less fertile land, or more distant land, and therefore each addition to the supply is secured at the expense of and **increased** quantity of labour. As the selling price in the same market is the same for all producers, it is necessarily the cost of the

5. St Clair, Oswald A Key to Ricardo, Routledge and Kegan Paul, London, 1957, pp15-16

most expensive part that regulates the price of the whole. This gives rise to rent on those lands which can produce more cheaply than the poorest land under cultivation.

5. Where there is free competition the rate of profit, or the remuneration of capital, tends to be the same in all employments, subject to some allowance for particular advantages or drawbacks which may attach to certain employments.

6. Where there is free competition wages, or the remuneration of hired labour, also tend to be the same in all employments, subject to minor qualifications.

7. While the market price of labour, like that of commodities, may rise or fall with varying conditions of demand and supply, it tends in the long run to be no more than is required to keep up the supply of labourers. For if labour is relatively scarce and the labourer is paid more than sufficient for his needs, the usual result is an increase of population, and therefore an increased supply of labour, which reduces wages to the bare cost of living.

8. Wages cannot increase without diminishing profits, nor profits without diminishing wages. The joint product of labour and capital being divided between the labourer and the capitalist, if the one has a larger share, the other must have a smaller share. As the cost of living rises (see 4), money wages have to be increased to enable the labourer to live (see 7). Accordingly, the surplus which constitutes profit is diminished.

9. Thus, owing to the diminishing returns obtainable on the marginal land cultivated, the money wages of the labourer rise without his being any better off, the profits of the capitalist fall owing to the rise of wages, and the only person who benefits by the rise in the price of food is the idle landlord, whose rents continue always to increase."

More recent writers (Pasinetti, 1974) have identified three key theories at the heart of these propositions.

A theory of value, a theory of distribution and a theory of growth.⁶ Ricardo never stopped developing his ideas and hence revised, and often incorporated criticisms into his original text. Whilst conceding many of these points of criticism, Ricardo saw them as merely special cases requiring amendment but not revision of his basic propositions. The issues raised by Ricardo's Theory of Value and Theory of Distribution at least in relation to the determination of wages and profits will be examined below because of their immediate relevance to the purposes of this chapter.

I am aware that such a procedure ignores Ricardo's discussion of Rent which he undertook immediately after the analysis of Value in his Principles. Ricardo undertook the analysis of Rent first in order to simplify his analysis of the distribution of Profits and Wages.⁷ For Ricardo rent is determined by the technical factors affecting the fertility of the soil. Rent is a deduction from total product for the use of land more productive than the last marginal increment of land brought into production - on which no rent

 6. Pasinetti, Luigi, L. Growth and Income Distribution C.U.P., Cambridge, 1974, pl

7. Sraffa, Piero ed "Introduction", The Works and Correspondence of David Ricardo, Vol 1, p.xxiii. All references from Ricardo's Principles (1821) are taken from this edition.

would be payable. Rent does not enter Ricardo's theory of value.⁸ As a result of what Ricardo believed to be a law of diminishing returns in land used for agriculture the rising costs of food production meant a barrier to the growth of both real wages and population and a constraint on profits. Only the landlord benefited from this declining marginal productivity of land. It is clear from the current grain mountains that no such assumption is justified. However, Ricardo, were he alive today might well retort that he could have predicted the result. As the application of technology to land reduced the amount of labour required per bushel of wheat, etc., so the value in real terms of Rent for Agriculture land has fallen as Industrial Profits have risen over the last century or more. Such a statement is certainly deducible from Ricardo's Theory of Distribution. (See also Item 9 quoted from St Clair above.)

6.3 Ricardo's Theory of Value

Ricardo starts his analysis at the same place as Adam Smith. In the early stages of society the exchangeable value of commodities depended upon the comparative quantity of labour expended on each. For Ricardo as for Smith, the source of all Capital is Labour. Therefore, in early times, it could according to Smith, be argued that the relative quantity at which one

8. Pasinetti, Luigi, L, Growth and Income Distribution, C.U.P., Cambridge, 1974 p1

product of Labour exchanged with another (its value) was determined by the amount of labour-time taken to produce it.

"In the early stages of society, the exchangeable value of these commodities, or the rule which determines how much of one shall be given in exchange for another, depends almost exclusively on the comparative quantity of labour expended on each."⁹

The importance, or rather lack of importance, that Ricardo attributed to the criticisms of his theory of value may be measured by the change in language in the third from the first editions of his book noted by Sraffa, the "almost exclusively" above had originally read "solely". Ricardo went on to comment that

"If the quantity of labour realized in commodities regulates their exchangeable value, every increase of the quantity of labour must augment the value of that commodity on which it is exercised, as every diminution must lower it."¹⁰

Ricardo claims that labour remains the invariable standard of value in exchange and criticises Smith for introducing other measures such as the price of corn and the price of labour.¹¹ Referring to the latter Ricardo writes,

"... Sometimes he speaks of labour as the standard measure, not the quantity of labour bestowed on the production of any object, but

9. Ricardo, David On the Principle of Political Economy and Taxation (1821), Sraffa ed (1951) Vol 1, Sraffa ed (1951) p12

10. *ibid* p13

11. *ibid* p14

the quantity which it can command in the market ... If this were indeed true, if the reward for the labourer were always in proportion to what he produced, the quantity of labour which that commodity would purchase, would be equal and either might accurately measure the variation of other things; but they are not equal; the first is under many circumstances an invariable standard, indicating correctly the variations of other things; the latter is subject to as many fluctuations as the commodities compared with it."¹²

Utility was seen as essential for exchange to take place, but not for determining the relative proportion in exchange.

"Utility then is not the measure of exchangeable value, although it is absolutely essential to it".¹³

Ricardo recognised that rarity could create a permanent value independent of the quantity of labour-time involved in producing a given item.

"There are some commodities the value of which is determined by their scarcity alone. No labour can increase the quantity of such goods, and therefore their value cannot be lowered by an increased supply. Some rare statues and pictures, scarce books and coins, wines of a peculiar quality, which can be made only from grapes grown on a particular soil, of which there is a very limited quantity, are all of this description. Their value is wholly independent of the quantity of labour originally necessary to produce them, and varies with the varying wealth and inclinations of those who are desirous to possess them."¹⁴

Nevertheless such items were not involved in Ricardo's

12. *ibid*, p14

13. *ibid*, p11

14. *ibid* p12

analysis and were negligible in terms of their importance in relation to the total value of all manufactured commodities (including agricultural and mining products).

"Possessing utility, commodities derived their exchangeable value from two sources: from their scarcity, and from the quantity of labour required to obtain them ... however, ... By far the greatest part of those foods which are the objects of desire are procured by labour; and they may be multiplied, not in one country alone but in many ... without ... limit, if we are disposed to bestow the labour necessary to obtain them.

In speaking then of commodities of their exchangeable value, and of the laws which regulate their relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint."¹⁵

Ricardo also considered that short-term scarcity could make a temporary impact on exchange value by causing market fluctuations. But in the medium-term demand called forth its own supply (in terms of labour quantities) and thereafter supply determined relative exchange value. In a letter to Malthus concerning the impact of demand on price Ricardo states,

"I shall not dispute another proposition in your letter. 'No wealth', you say, 'can exist unless the demand or the estimation in which the commodity is held exceeds the cost of production.' I have never disputed this. I do not dispute either the influence of demand on the price of corn or on the price of all other things; but supply follows close at its heels and soon takes the power of

regulating price in his own hands, and in regulating it ... is determined by cost of production."¹⁶

Thus, demand may explain temporary fluctuations but in the longer run prices will fall to their natural price (coincident with the relative quantity of labour used in production). As the extract of this letter to Malthus suggests Ricardo did not believe that the 'long-run' really involved a very extended time period.

Ricardo's dismissal of the significance of variations in the quality of labour to his theory of value has a surprisingly modern ring to it.

"In speaking, however of labour, as being the foundation, of all value, and the relative quantity of labour as almost exclusively determining the relative value of commodities, I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hours or days labour, in one employment, with the same duration of labour in another. The estimation in which different qualities of labour are held, comes soon to be adjusted in the market ... The scale once formed is liable to little variation (My emphasis) ...

As the inquiry to which I draw the readers attention, relates to the effects of the variations in the relative value of commodities, and not in their absolute value, it will be of little importance to examine into the comparative degree of estimation in which the different kinds of human labour are held."¹⁷

The relative stability of wage differentials is a

16. St Clair, Oswald A Key to Ricardo p23

17. Ricardo, David On the Principles of Political Economy and Taxation, pp20-22

phenomenon that has excited considerable academic interest;

"The most characteristic features of pay are that differentials and relativities are stable over time, and that pay cannot be adequately understood within the narrow boundaries or using the narrow methodological conventions of the established disciplines ... The idea of distributional rules recognises that there are implicit and sometimes explicit assumptions or beliefs that there is and ought to be a stable ranking of occupations, and that pay should reflect that ranking. We did not invent or discover the idea of stability. The historical evidence and account of the intellectual heritage is provided in Tawney's *Religion and the Rise of Capitalism, Equality and 'The Acquisitive Society'* (Tawney, 1969; 1931 & 1979; 1982). These sources show how differentials are woven into the way of life. Routh's *'Occupation and Pay in Great Britain'* (Routh, 1965), provides overwhelming statistical evidence on the stability between occupations."¹⁸

The evidence supporting a stable ranking of differentials does lend credence to the idea implicit in Ricardo that this is a once for all effect that can be subsequently discounted. Differences in the value of different types of labour may well be explained in terms of the relative labour inputs it took to produce them given that complex labour can be reduced to simple labour units. This is what Marx and Sraffa have tried to achieve for the sake of the consistency of their model. It could also be argued that simple or unskilled labour is very much more significant in terms of overall output than is skilled labour, although such a point would be both contentious and difficult to

18. Donaldson, John, pp xvi to xvii, in Pay Differentials, ed. Donaldson, J & Philby, G, Gower, Aldershot, 1985.

establish.

A much more significant modification to Ricardo's theory of value was admitted in sections 4 and 5 of his first chapter on 'Value'.

"...in every state of society the tools, implements, buildings and machinery employed in different trades may be of various degrees of durability and may require different portions of labour to produce them. The proportions too, in which capital that is invested in tools, machinery and buildings may be variously combined. This difference in the degree of durability of fixed capital, and this variety in the proportions in which the two sorts of capital may be combined, introduce another cause, besides the greater or less quantity of labour necessary to produce commodities, for the variations in their relative value - this cause is the rise or fall in the value of labour."¹⁹

Under these circumstances a rise in the price of labour (wages) cannot fail to affect in different proportions commodities produced under such different conditions. These modifications may be thought to present major problems to the validity of Ricardo's theory. However, Ricardo treated them all as merely requiring adjustments. He remained convinced that no major shift in his theoretical position or the basis of determining the relative values of commodities was required.²⁰

Ricardo's labour theory of value was developed in response to the question posed by Classical Political

19. Ricardo, David On the Principles of Political Economy and Taxation pp91-92

20. Pasinetti, Luigi L. Growth and Income Distribution p3

Economy - What determines the value at which any two commodities exchange? The Labourers themselves remained just another commodity exchanging at or near their natural price (the amount of labour required to reproduce itself). Although Ricardo rejects demand as being an important influence on value, nevertheless the importance of the market to the overall functioning of his model is fundamental. Free competition is one of the key assumptions upon which he built his model. Free competition, although an assumption stated at the beginning of most Neo Classical and Marginalist models, seems in practise to be less important. Consumer choice cannot be the only determinant of a free market, and exists even in oligopolistic and monopolistic markets. The key for the Neo Classical and Marginalist models is the interaction of supply and demand. This is not to be confused with free competition which is important to the Neo Classical and Marginalists on ideological grounds because without it they could become exposed to radical criticism on the distributive outcomes of their model. In Ricardo, however, the model of exchange being in proportion to the quantities of labour inputs, depends on free competition to prevent the imperfections and labour market rigidities that would precisely prevent its operation.

"It is then the desire which every capitalist has, of diverting his funds from a less to a more profitable employment, that prevents the market price of commodities from continuing for any length of time either much above or much below their natural price ...

"In speaking then of exchangeable value of commodities, or the power of purchasing possessed by any one commodity, I mean always the power which it would possess, if not disturbed by any temporary or accidental cause, and which is its natural price." ²¹

Ricardo's Labour Theory of Value must be seen both as an explanation of variations in the relative rate of exchange between commodities subject to manufacture (including agriculture and mining) and a means of measuring the relative value in exchange.

6.4 Ricardo's Theory of Wages

Ricardo saw wages as the reward for labour or its price in money terms. His theory has, as shall be developed below, an optimistic analysis, (Ricardo could envisage a possibility of rising real wages and rising growth) and a pessimistic analysis. The pessimistic analysis is that wages would be driven down to subsistence and may fall below subsistence due to population pressures by the labourers themselves. In his pessimistic analysis his ideas draw heavily on those of his friend and rival Malthus. It is a matter of no small importance in practical terms to the working class as to which of these two analysis of wages is the nearer to reality. If, as Ricardo suggested, conscious action (in his view - birth control - but that is unnecessarily to narrow the range of options) could affect the direction of wages, then clearly a close

21. Ricardo, David, On the Principles of Political Economy and Taxation pp91-92

examination of Ricardo's analysis could prove beneficial.

An important subsidiary question concerns the impact of Ricardo's famous additional chapter in his 1821 third edition of the Principles, 'Chapter 31, On Machinery'. There is in this chapter much Ricardian ambiguity - already well documented by other writers (St Clair 1957), (Blaug 1958). For the impact of Machinery could be argued as supporting the optimistic analysis, and was so developed by Mill, or the pessimistic analysis, as developed by Marx. I will postpone further discussion of these issues until the following section's analysis of Ricardo's views on mechanization. This section will examine Ricardo's theory of wages under three sub headings; The Wage Fund Concept; How wages are determined and; The relationship between Wages and Profits.

6.4(i) The Wage Fund concept

Before Ricardo's Principles appeared, the accepted doctrine implied that capital is the sole fund from which wages are paid and thus is almost the exclusive source for the maintenance of labourers. Ricardo never departed from the assumption that the Capitalist begins the year with a capital or wages fund sufficient to maintain his employees for a period of twelve months.²² In any given cycle of production wages are paid out of

22. St Clair, Oswald A Key to Ricardo pp7-8

an existing fund of commodities which was an advance by Capital in order to initiate the process of production. The demand for labour is determined by the offer made by the capitalists out of a pre-existing and finite stock of commodities which presents an upper limit to the real value of wages.

"The fact that we can only consume at present what has already been produced lies at the roots of the 'wages fund' theory. It may be that next year, as a result of our present efforts, stocks will be larger, and that consumption will then be possible on a more generous scale; but this prospect will not enable us to consume at present more than at present exists. The quantity of commodities that each man can receive for his present work depends on the size of the present stock and the number of men amongst whom it is to be divided. But in calculating the amount that can be distributed week by week we must take into account the question how long the stock will be available."²³

Thus, Ricardo's 'wages fund theory' rests essentially on two basic propositions. Firstly that wages are an advance from an existing stock of capital, in the form of wage goods or necessaries, which is the virtual monopoly of the capitalist class. Secondly that for all practical purposes this fund or stock is fixed in advance for any given productive cycle. The consequences following from these basic propositions are far reaching in terms of the determination of the real value of wages and profits.

6.4(ii) The determination of wages

Wages are the price paid for Labour, itself a commodity. The Natural Price of Labour and the Market Price are therefore, quite distinct.

"Labour, like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution."²⁴

The rate of pay depended according to Ricardo on the proportion that capital bore to the labouring part of the population. Should the rate of capital growth exceed population growth then;

"It is when the market price of labour exceeds its natural price, that the condition of the labourer is flourishing and happy...Notwithstanding the tendency of wages to conform to their natural rate, their market rate may in an improving society, for an indefinite period, be constantly above it; for no sooner may the impulse, which an increased capital gives to a new demand for labour be obeyed, than another increase of capital may produce the same effect..."²⁵

Ricardo defines Capital in his chapter on wages as,

"...that part of the wealth of a country which is employed in production, and consists of food, clothing, tools, raw materials, machinery, etc, necessary to give effect to labour."²⁶

24. Ricardo, David On the Principles of Political Economy and Taxation, p 93

25. *ibid* pp94-95

26. *ibid* p95

Ricardo notes that,

"Capital may increase in quantity at the same time that its value rises. An addition may be made to the food and clothing of the country, at the same time that more labour may be required to produce the additional quantity than before; in that case not only the quantity but the value of capital will rise. Or capital may increase without its value increasing, and even whilst its value is actually diminishing; not only may an addition be made to the food and clothing of a country, but the addition may be made by the aid of machinery, without any increase, and even with an absolute diminution in the proportional quantity of labour required to produce them. The quantity of capital may increase. while neither the whole together, nor any part of it singly, will have a greater value than before, but may actually have less.

In the first case, the natural price of labour, which always depends on the price of food, clothing and other necessaries, will rise; in the second, it will remain stationary, or fall; but in both cases the market rate of wages will rise, for in proportion to the increase of capital will be the increase in the demand for labour; in proportion to the work to be done will be the demand for those who are to do it."²⁷

Ricardo can therefore envisage an optimistic continuing rise in real living standards but he doubts that such will ever be the case except in the short run. If real wages rise then so will the labouring population and the forces of increased supply would bring wages down to their natural price. Apart from the pressures of population holding wage levels down in real terms there was Ricardo's other assumption of the falling marginal productivity of land. This would guarantee that the

demand for labour would increase in falling proportion to the demand for capital.

"Although, then, it is probable, that under the most favourable circumstances, the power of production is still greater than population, it will not long continue so; for the land being limited in quantity and differing in quality, with every increased portion of capital employed on it, there will be a decreased rate of production, whilst the power of population continues always the same." ²⁸

Increased money wages could not of themselves produce a better living standard for workers. Again this is a consequence of Ricardo's wage fund theory. Wage goods were mainly food, which was in a finite quantity. Any increase in money wages would have the tendency to raise the price of food.

"Such was the view widely held in Ricardo's day (and for long afterwards, largely as a result of Ricardo's adoption of it). Ricardo did not originate this theory; he took it over from Malthus." ²⁹

Increased money wages (price of labour) will be the same for all labour because of Ricardo's assumption of free competition. Money itself was seen as a commodity that was the product of labour and to the extent that its ease of production (or extraction in the case of Gold) was increased, i.e. it required less manpower to mine the same number of tons of gold as previously whilst all other commodities remained the same, then

28. *ibid* p98

29. St Clair, Oswald A Key to Ricardo, p84

all prices rose because the relative exchange value of all other commodities to Gold has risen. The opposite would produce a decline in prices. Because price is the function of the relationship between Gold and all other commodities increases and decreases in price make no difference to the relative values at which the other commodities exchange with each other because the change in the relative value of gold affects all equally.

6.4(iii) Wages and profits

Rising wages will, however, affect profits. Profits are a residual income to capital after rent and wages have been met.³⁰

"The proportion which might be paid for wages is of the utmost importance in the question of profits...profits would be high or low, exactly in proportion as wages were high or low (inverse proportion)..."³¹

The technical factors which force labour down to its natural price - the decline in the marginal productivity of the land also was instrumental in raising the relative value of the natural price of labour. Ricardo believed that in the long run the rate of profits would therefore, decline as a function of rising wage costs. The increased growth of capital would call forth a demand for more labour. This

30. Pasinetti, Luigi, L Growth and Income Distribution p5

31. Ricardo, David On the Principles of Political Economy and Taxation, p27 .

increased population required feeding the cost of which rose as each less productive piece of land was forced into production. Costs would rise at a greater rate than profits until a stationary state of economic development is finally reached.

In his more optimistic moments Ricardo accepts the possibility that profits might be reduced as a result not of increased cost of food production (necessaries) but because an increase in wages permitted workers to participate in the existing stock of luxury goods.

"Give him the means, and do you think he wants the inclination? Will he not improve his house and furniture, his clothing, and that of his wife and children - will he not purchase more fuel, and indulge himself in the enjoyment of better beer, tea, tobacco and snuff?"³²

Ricardo also agreed, as we saw in his discussion on capital growth quoted above, that increasing stocks of capital in proportion to labour could bring about an increase in the well-being of the labourer without the growth in capital itself being impaired.

"Notwithstanding the immense expenditure of the English government during the last twenty years, there can be little doubt but that the increased production on the part of the people has more than compensated for it. The national capital has not merely been unimpaired, it has been greatly increased, and the annual revenue of the people, even after the payment of their taxes, is probably greater at the present time than at any former period of our history. For the proof of this, we might refer to the increase of

 32. St Clair, Oswald A Key to Ricardo, p95, St Clair is here quoting from Ricardo's letters in Works, vol 8 p275 ed Sraffa

population - to the extension of agriculture - to the building of docks - to the opening of numerous canals, as well as to many other expensive undertakings; all denoting an increase both of capital and of annual production." ³³

If wages rose above their natural price in these circumstances it would be possible for labour to share in the burden of taxation - otherwise Ricardo believed all taxation fell ultimately on profits. He was against poor relief as this too reduced profits and encouraged increases in population in excess of that which capital growth could support at a reasonable level of well-being. Ricardo advocated that the parish relief system should be gradually abolished in times of prosperity. He believed that in times of recession such a proposal would become politically impossible to implement.

At this stage Ricardo has merely hinted at the possibility that apart from being partners in the productive process labour and capital are also substitutes for each other. The fact that wages are a deduction from profits would act as a natural spur for such substitution and further that such substitution might even permit the market rate to fall below a given natural rate of wages or even force a redefinition of the natural rate is not followed through in the Principles. The natural rate of wages is not an absolute minimum but a historically and socially

33. *ibid* p116

determined minimum which in general, due to the rising accumulation of Capital in the shape of Manufacturing capacity, had been rising in absolute terms over time.

"It is not to be understood that the natural price of labour estimated even in food and necessaries, is absolutely fixed and constant. It varies at different times in the same country, and very materially differs in different countries. It essentially depends on the habits and customs of the people."³⁴

In the Chapter 31 on Machinery the prospect of an increasing propensity to substitute capital for labour comes into view but the implications for what Ricardo has already predicted as a declining rate of profit in the face of a constantly rising natural price of labour is not developed. The fact is if you abolish Poor Laws as Ricardo advocated - then for the labouring classes Wages remain the sole source of income. All the capital stock in the world is of no use to the labourer if he has no wages to exchange for them in the cycle of reproduction and as Ricardo was to acknowledge in Chapter 31 a sudden substitution of Capital for Labour could leave the displaced labour in just such a position whilst enabling profits to be maintained or increased.

The wages fund theory meant that for Ricardo the savings of the capitalist was the sole source of additional capital growth to meet the needs of

34. Ricardo, David On the Principles of Political economy and Taxation, pp96-97

increased population or the aspiration of a static population for a higher living standard.

"The fact seems to be that although Ricardo from time to time makes a passing reference to discoveries and inventions as resulting in the multiplication and cheapening of commodities, the idea usually present in his mind is that if wealth and population continuously increase, it is because capitalists continuously save and add to their capital."³⁵

The capitalists would pay for labour because it enabled them to improve their own well-being and up to now had appeared the only means of enhancing and renewing their existing capital stock. The possibility of substituting machinery for labour puts a question mark over the whole issue.

6.5 Ricardo on machinery

Ricardo's views on machinery underwent a radical change which in his view required a full explanation by the time of his third edition of the Principles (1821). Ricardo's explanation of how he had come to view it as entirely possible for Machinery to have negative consequences for the labouring class caused consternation to some of his close supporters such as McCulloch (editor of the Edinburgh Review) who himself taking Ricardo's earlier position produced what Blaug

has called 'the first satisfactory statement of the theory of automatic compensation'.³⁶ Ricardo's new position was not really developed by any of his contemporaries.³⁷ It was left to John Stuart Mill and Karl Marx to develop Ricardo's theory on Machinery and Labour along two alternative lines.³⁸ This section will provide a description of Ricardo's argument in Chapter 31 and in doing so consider the consequences of this reasoning for the determination of wages and the natural price of labour. Secondly the further consequences of the 'Ricardo Effect' of the substitution of capital for labour will be examined in the light of Ricardo's Labour Theory of Value.

6.5(i) The impact of machinery on labour

Ricardo's view had been that the,...

"...application of machinery into any branch of production...was a general good."³⁹

It had seemed to Ricardo that the price of manufactured commodities would fall as a result of the introduction of machinery and that this would benefit the landlord, the capitalist and the wage labourer because none would

36. Blaug, Mark Ricardian Economics p66

37. *ibid* p77

38. Eltis, Walter, Ricardo on Machinery and Unemployment in The Legacy of Ricardo p274

39. Ricardo, David On the Principles of Political Economy and Taxation, p386

experience any drop in income. This effect would occur because,

"...the capitalist would have the power of demanding and employing the same quantity of labour as before, although he might under necessity of employing it in the production of a new, or at any rate different, commodity."⁴⁰

Ricardo had based this view on the assumption that although the demand for labour in the trade affected by mechanisation had declined leading to a reduction in employment in that sector, nevertheless the capital to employ the workforce still existed. Ricardo assumed with Adam Smith that,

...the desire for conveniences...seems to have no limit or boundary."⁴¹

Therefore, the capitalist had every reason to actively find new employment for his variable capital and thus as the overall demand for labour was maintained for labour wages would not be affected. Ricardo wrote;

"I had thought that the labouring class would equally with the other classes, participate in the advantages, from general cheapness of commodities arising from the use of machinery...These were my opinions, and continue unaltered, as far as regards the landlord and the capitalist; but I am convinced, that the substitution of machinery for human labour, is often very injurious to the class of labourers."⁴²

Ricardo explained that his earlier belief arose from

40. *ibid* p387

41. *ibid*, p387

42. *ibid* p388

the supposition that whenever the net income of a society increased, its gross income was also increased. He now saw that this was a mistake. It was perfectly possible for the application of machinery to increase the net produce of a society from which the landlords and capitalists received their income, while the gross product from which the labouring class draws its income may diminish.

"...if I am right, that the same cause which may increase the net revenue of a country, may at the same time render the population redundant...the conditions of...the labouring classes will be that of distress and poverty." ⁴³

Ricardo used as an example a capitalist producing both capital and consumption goods with a total capital of £20,000 and a rate of profit of 10%. Some £13,000 was seen to be variable capital and £7,000 fixed capital. At the end of the year his workers had been paid £13,000 and had returned the money (wages) in exchange for wage goods that they consumed (the wage fund). They had also during the course of this year produced the variable capital of some £15,000 (£13,000 plus £2,000 profit). The capitalist in the subsequent year has £22,000 total capital. He decides to set half his workforce on the manufacture of a machine which is valued at £7,500 and half on the manufacture of variable capital valued at £7,500 (making £15,000 in all which added to his £7,000 worth of tools, land and

43. *ibid*, pp338-390

buildings makes up his total capital of £22,000 in the second year). The workers consume the £13,000 of variable capital in year two and produce £15,000 worth of product as before but this time £7,500 is a machine (fixed capital) and only £7,500 is in variable capital which after deducting £2,000 variable capital as profits leaves only £5,500 to be exchanged for next years labour. Thus £7,500's worth of labour is now redundant.⁴⁴

"...the construction of machinery can reduce the demand for labour by cutting the total amount of circulating capital. Wage goods have to be made available to workers in advance of production in all classical models...It is only the conversion of part of the existing capital stock from circulating capital to machinery that can reduce employment..."⁴⁵

In his earlier editions of the Principles, Ricardo had usually stated the relationship between employment and the capital stock as if there was no persistent tendency for the wage to depart from the natural level, and no clear tendency for total capital per worker to grow faster than circulating capital per worker.⁴⁶ As Blaug argues, in this chapter Ricardo,

"effectively abandons his assumption of fixed technical co-efficients of production, the elasticity of substitution of capital for

44. *ibid* pp388-389

45. Eltis, Walter 'Ricardo on Machinery and Technological Unemployment' Chap 11 in The Legacy of Ricardo ed G.A. Caravale, pp261-262

46. *ibid* p264

labour is no longer assumed to be zero, a substitution greater than unity is implied."⁴⁷

In what later became known as the "Ricardo Effect" it began to be recognised that as labour productivity fell in the provision of necessaries (the wage good basket) the costs of machinery relative to those of labour would fall. If this effect is to be counteracted then the growth of variable capital available to employ labour must increase as fast as the rate of fixed capital substitution for labour. Given Ricardo's wages fund theory assumptions this is only possible if the rate of savings from net product is sufficient. In fact it was here that Ricardo qualified his earlier statements regarding the reduction of gross product and its negative consequences for labourers with the further proposition that it was indeed possible that increased net product would be so great as not to diminish gross product.

"Fourthly, that if the improved means of production, in consequence of the use of machinery, should increase the net produce of a country in a degree so great as not to diminish the gross produce, (I mean always quantity of commodities and not value), then the situation of all classes will be improved...

...the situation of the labouring classes will also be considerably improved; first, from the increased demand for menial servants; secondly, from the stimulus to savings from revenue, which such an abundant net produce will afford; and thirdly, from

47. *ibid* p264

the low price of all articles of consumption on which their wages will be expended."⁴⁸

Blaug argues on the basis of Ricardo's chapter on machinery that Ricardo's position remained that, assuming (as Ricardo did) that technical change took place at a gradual pace, the accumulation of savings would furnish the source of additional capital for investment in machinery and that no technological unemployment was necessary.⁴⁹ However, such an optimistic explanation of the impact on labour of the introduction of machinery looks extremely fragile and, "...opens up a whole series of unanswered questions about Ricardo's system."⁵⁰

One question is precisely why capitalists should choose to spend their net revenue on labour as opposed to other options -

"If a landlord, or a capitalist, expends his revenue in the manner of an ancient baron, in the support of a great number of retainers, or menial servants, he will give employment to much more labour, than if he expended it on fine cloths, or costly furniture; on carriages, on horses, or in the purchase of any other luxuries."⁵¹

If machinery reduces the cost in labour-time inputs for the manufacture of wage goods one way, as Ricardo

48. Ricardo, David On The Principles of Political Economy and Taxation p392

49. Blaug, Mark Ricardian Economics p70

50. *ibid* p70

51. Ricardo, David On the Principles of Political Economy and Taxation p393

recognised, of using those extra wage goods would be by capitalists employing extra workers to consume them in exchange for personal services. Unless the labour is either relatively cheaper, or more conducive to the good of the capitalist, clearly there can be no particular incentive to spend increased net revenue on wage goods to employ non-productive service sector employees.

Ricardo appears to be offering two solutions to the threat posed to labour by machinery. Firstly, he argues that increased net income arising from the investment in machinery will produce a continuing benefit to capital which will result in savings for investment in other projects requiring labour either for personal services or other productive activities. Secondly, he argues that the surplus to invest in new machinery will come from existing profits and hence be so gradual as not to require the transfer of existing capital employed in wage goods to machinery production.

Should these two solutions prove incorrect then the situation is grim for the labourer, because Ricardo is clear that the substitution of machinery for labour is itself unstoppable.

"The employment of machinery could never be safely discouraged in a State, for if a capital is not allowed to get the greatest net revenue that the use of machinery will afford here, it will be carried abroad, and

this must be a much more serious
discouragement to the demand for labour"⁵²

6.5(ii) The consequences of technical innovation and
machine substitution for labour

As has already been noted in 6.3 above, the
introduction of machinery creates a situation whereby
the rise and fall of the value of labour can become a
factor in determining the relative value of commodities
rather than simply the greater or lesser quantity of
labour required to produce them. Admitting this fact
Ricardo wrote,

"it would be ... incorrect to attach much
importance to it"⁵³

Ricardo for the sake of simplification assumed that the
ratio of capital to labour was uniform for all
commodity production. He also assumed capital of equal
durability. Without such assumptions it appeared to
him and to his contemporaries that his Labour Theory of
Value did not hold. Ricardo however, felt that these
circumstances would be of little real significance
because free competition and the gradual rate of
technical innovation would ensure the mix remained the
same - otherwise there would be different rates of
profit.

Nothing as such in his theory on machinery undermines
this view in principle. But the practise is another

52. *ibid* p396

53. *ibid* p36

matter. Inventions are not instantly reproducible - if they had been British Industry would not have risen to dominance by 1850. The whole point of the industrial revolution was precisely that the application of machinery in greater and greater proportions to labour was taking place across all sectors of commodity production. It was not just the technical characteristics of the fixed capital and its relative durability that affected relative prices but also its quantity; the larger the fixed capital the greater the economies of scale.

In the circumstances it is hard to accept as valid Ricardo's simplification. It is ironic that Ricardo's whole purpose was to develop an explanation of relative exchange value between commodities. Today such an explanation is not thought to be important by most economists. Yet in order to preserve the concept of a labour theory of value, not for measurement but for ideological purposes, mathematical assumptions such as reducing the economy to two commodities Capital and Labour (Scraffa 1960) have been employed, besides which, the original assumptions of Ricardo appear a quite modest departure from reality.

6.6 Conclusion

This chapter has attempted to describe the principal themes and propositions in Ricardo's analysis of value and distribution. To summarize adequately all of them would be a difficult task but below are those key

propositions that are of primary significance for the emerging contemporary Workers' Co-operative Movement of the 1820 to 1850s.

1. Labour is a commodity.
2. All commodities (including labour) exchange in terms of the relative proportions of labour taken to produce them.
3. Wages are paid out of a finite fund of commodities set aside by capitalists to provide the income of labour during any given cycle of production. (Ricardo assumed these to be annual).
4. If wages in (money terms) increase profits must decrease, and vice versa (assuming fixed quantity of money, gold standard and wage fund)
5. Wages have a tendency to equal their 'natural price' defined as the cost of reproducing a static labour force.
6. At or below its 'natural price' labour has no discretionary income. Taxation will merely fall on profits.
7. In the longer run there is a propensity for the productivity of labour in reproducing necessaries to fall pushing up the value of labour and creating a relative cost advantage for mechanisation.

8. Sudden changes in technology producing changes in the mix of fixed to variable capital goods would lead to impoverishment for the Labourer.

9. In general a gradual introduction of mechanisation would be funded from savings generated by increasing net revenue and would not reduce the existing quantity of wage goods.

10. Providing population was held in check Ricardo admitted the possibility of Capital Growth being in advance of the capacity of labour to supply thus ensuring a market price in advance of the natural price of labour.

11. In the long run the demand for increased labour would cause labour costs to rise as less fertile land was called into production and profits would fall until a no growth situation was reached. At this point as labour was unlikely to stop growing the long run looks to be predicting a fall in market price to at or even below natural price.

The "problem" of rising population was soon understood to be no reason for concern, ie, the birth rate was not automatically progressing upwards. Malthus' doctrines had been generally disposed of by the time of J S Mills's Principles of Political Economy (1848).⁵⁴ In addition, of course, the application of science and

54. Blaug, Mark Ricardian Economics pp111-117

technology to agriculture reduced greatly the argument about finite land resources. Both these points led not to a declining rate of profit, as Ricardo had predicted as a long run trend, but to the possibility of continued expansion led by advancing technology. As Ricardo himself had written,

"I have before observed, too, that the increase of net incomes, estimated in commodities, which is always the consequence of improved machinery, will lead to new savings and accumulations. These savings, it must be remembered are annual, and must soon create a fund, much greater than the gross revenue, originally lost by the discovery of the machine, when the demand for labour will be as great as before, and the situation of the people will be still further improved by the increased savings which the increased net revenue will enable them to make."⁵⁵ (My Emphasis)

Ricardo's analysis has a surprisingly contemporary ring about it for a book whose last edition appeared in 1821. It is tempting to identify echoes of Ricardo - not just in the Neo-Ricardian radical economics of the post 1960's left but also to see Ricardo as the true inspiration for monetarism with his attacks on taxation and poor relief, his belief in wage increases as leading to inflation and reduced profits rather than better living standards and not least his advocacy of service employment as a means to reduce technological unemployment.

Whatever the truth of the above it is to Ricardo's own

55. Ricardo, David On the Principles of Political Economy and Taxation p396

contemporaries, or near contemporaries of the 1820's and 1830's that the propositions listed here were presented. What was the response of the English Labour Economists? How did they define the problem of economics? And towards what sort of solution did they point? The next chapter will examine these questions and attempt to evaluate the claim that these "socialists" were Ricardian.

A point that should not be lost sight of in concluding this chapter on David Ricardo, however, is that the points listed above arise in many cases as incidental consequences of his main concern, which was to analyse the measurement of the relative values of commodities and to explain their relative value in exchange. In his pursuit of the answer to these problems, Ricardo took his stand squarely on the side of supply not demand.

CHAPTER 7 - THE ENGLISH LABOUR ECONOMISTS

7.1 Introduction

This chapter will review the works of the three most important representatives of a school of political economy generally referred to as "Ricardian Socialists". The writers, Thomas Hodgskin, William Thompson, and John Francis Bray, were not just economic theorists: they were organisers who tried to find practical applications for the theoretical analysis they espoused. The term "Ricardian" does not appear in the chapter heading because there appears to be little justification for its use. In fact, its use does positive harm for it denies the originality and independence of mind of these men. It distorts their true role and significance in the History of Ideas and in the History of the Labour Movement.

This chapter will examine the major writings of these three men and explore their ideas and relationship to David Ricardo. Apart from Marx and Engels, who appear to be among the first, if not the originators of the label "Ricardian", more recent authorities include G D H Cole (1953) and Maurice Dobb (1969) also Cole and Filson (1965) who in British Working Class Movements Selected Documents, wrote,

"In the 1820s there grew up suddenly a school of writers who attempted to supply a theoretical basis for the economic and social action of the working classes. In addition to Owen's "Report to the County of Lanark" (1821), where he first clearly formulated his concept of labour value, there appeared during these years the principal writings of

Thomas Hodgskin, William Thompson, and the other writers more commonly grouped together as the 'Labour Economists', or 'Anti-capitalist Economists'. These writers were strongly influenced by Ricardo, whose "Principles of Political Economy" first appeared in 1817. Upon Ricardo's theory that the amount of labour was the normal measure of value, they built the 'Socialist' conclusion that the entire produce of labour ought to belong to the labourer as the sole real creator of wealth. If labour alone creates wealth, the poverty of the labourers, despite the rapid advance in productive efficiency, must be due to the share appropriated by the profit-maker, and the solution must lie in the elimination of profit-making by means of mutual co-operation among the labourers."¹

The analysis of Esther Lowenthal (1911) appears to be the first to deviate from the general opinion and she still refers to them by the "Ricardian" title. Mark Blaug refers to Lowenthal's work when he writes,

"Only Hodgskin showed any familiarity with Ricardo's Principles and even he did not base his position on Ricardian tenets. The socialists were all adherents to the labour theory of value; this affords their only meeting ground with Ricardo."²

However, this does not stop Blaug from the earlier assertion that,

"... The 'Ricardian Socialists' ... put forward the claim of labour to the whole of the product of industry ... this argument was justified by a simple logical deduction from the labour theory of value."³

1. Cole, G D H and Filson, A W, Ch. 8, 'Labour Economics and Co-operation in the 1820s' in British Working Class Movements. Selected Documents, 1965, p189

2. Blaug Mark, Ricardian Economics, Yale University Press, 1958, p148 and footnote 29

3. *ibid*, p140

This deduction, however, was not made on the basis of Ricardo. Hodgskin appeals for a return to the analysis of Adam Smith;

"Hodgskin protested against Ricardo's system with its Malthusian elements, and demanded a return to the teaching of Adam Smith ..."⁴

It is to Smith's not Ricardo's authority that this school based their claim on the Labour Theory of value.⁵ But more importantly perhaps is the implication in Blaug that their analysis was a 'simple logical deduction'. It was not on the basis of theory but on the basis of observation that this school set out their analysis. Labour's poverty, not the Labour Theory of Value was their starting point.

If they have been misrepresented by posterity they were also largely ignored by the orthodox establishment of their own time.

"The leaders of the school of Competitive Political Economy were reluctant to discuss the system of Co-operative Political Economy."⁶

Blaug notes that James Mill and McCulloch knew Hodgskin personally and that John Stuart Mill was acquainted with William Thompson and referred to Knight's Right of Industry which quotes Hodgskin at some length. As for -----

4. Halevy, Elie, Thomas Hodgskin, Ernest Benn, London, 1956, p59

5. Hunt, E.K., "Value theory in the writings of the Classical economists, Thomas Hodgskin and Karl Marx", in History of Political Economy, Vol. 9, No. 3, 1977, provides a detailed discussion of Hodgskin's theory of value supporting Halevy's contention cited above.

6. Blaug, Mark, p147

Bray, Blaug notes that

"the last and most powerful manifesto of Owenism ... was little read and passed unnoticed in the major journals ..."⁷

That such powerful critiques of capitalism should be outwardly ignored by the establishment may not be surprising. That their analysis sent shudders into the intellectual life of the times may be surmised from the fact that although not Ricardian in its formulation the nature of the attack showed Ricardian economics to be vulnerable to socialist critique. Ricardo conceded and indeed developed a labour theory of value; he accepted that Profits and Wages were in inverse proportion to each other; and by 1821 he had conceded that the introduction of machinery could be detrimental to labour. The search was on in earnest to find a justification for profits based on capital's contributions and Blaug has shown that much of the period between 1821 and Jevons' The Theory of Political Economy in 1871 was taken up by orthodox economists with this issue.⁸

But why did the English Labour Economists' analysis, and the men themselves, leave such little mark on the Labour Movement whose cause they espoused and championed? Firstly, the answer is that for a period in the 1830s and 1840s they did have considerable influence and echoes of this influence lasted into the

7. *ibid*, p147

8. *ibid*

consumer-v-producer debates of the 1860s - 1880s.

The truth is that the class they fought for gave up trying to replace capitalism from about 1850 onwards in favour of an accommodation with capital based on a fairer distribution of the surplus between profit and wages. The consumer movement's triumph over the producer co-operative theorists and the rise of the new model trade unionism bears witness to this fact. The revolutionary impulse went through Marxism back onto the continent of Europe. In Europe these writers were hardly known except through references to their writings by the one man who was very familiar with them and who clearly owed them much in the development of his own ideas - Karl Marx. The relationship between Marx and the English Labour Economists will be considered in chapter 8.

Had Bray not left England in 1842, first for Paris and then for America, where he remained involved with the Labour Movement until his death in 1897 things might have gone differently. The Leeds Redemptionists led by Thomas Hole did not commence their activities until 1846. Hole had clearly read Bray's book which had been published in Leeds in 1839 and the Redemption Societies tried to put into practice Bray's strategy. Whether Bray ever knew of these efforts is not recorded. No article or letter by Bray appears in The Herald of Redemption, the journal of these societies, from which it may be concluded that tragically Bray remained ignorant of the impact his ideas had. The

Redemptionists themselves fared little better than Bray at the hands of posterity. Yet the record shows that the greatest proportion of worker co-operative development across England between 1847-1856 was due to their efforts. (See Chapter 4).

7.2 Thomas Hodgskin

The French philosopher and historian Elie Halevy had in his analysis of the genesis and development of Hodgskin's ideas stated;

"Though a Christian, he sets himself up as an opponent of innate ideas, as a utilitarian and an individualist."⁹

This individualism and his personal disappointments and brushes with authority had the effect of pushing Hodgskin towards anarchism. He was particularly critical of Owenism on this count.

"His (Owen's) system ... supposes masters and servants, somebody to govern as well as somebody to obey ..."¹⁰

Hodgskin based his analysis on a belief in the principle of natural harmony in the universe.

"... For Matter, God and Nature appear to me to be three words nearly synonymous, the first and the last expressing our continued perceptions while the middle one expresses the signs of power benevolent and uniform with which they are accompanied. This is my God, this is also Berkeley's God, and it is

9. Taylor, A J, 'Introduction' in Thomas Hodgskin by E. Halevy, Ernest Benn, London, 1956, p19

10. Halevy, Elie, Thomas Hodgskin, p38

the God of that Scripture writer who said in him we live and move and have our being."¹¹

Halevy shows clearly Hodgskin's antipathy to Malthus' population theory. In fact it is to Adam Smith and to Godwin not Ricardo that the real influences on Hodgskin can be traced. Yet Halevy still persists in calling Hodgskin an 'equalitarian Ricardian' even when at every other reference to Ricardo he has to show how Hodgskin is criticising Ricardian positions.

"... Hodgskin believed he must condemn Ricardo's innovations because he saw in them so many infractions of the great principle ... of the natural harmony of interests ..."¹²

Hodgskin rejected Ricardo's theory of value, naturally decreasing profits, and the idea of rent based on the diminishing productivity of nature. Halevy quotes from Hodgskin's letter to Francis Place 20.6.1820,

"... If we regard labour as the measure of natural price, we see at once how vastly the augmenting ingenuity of mankind has diminished ... in direct opposition to Mr Ricardo - the natural price of every commodity ... The natural profits ... of capital constantly increase with the ingenuity of our species. Labour and ingenuity, much more than the powers of the soil, produce food ..."¹³

When Hodgskin writes of "ingenuity" he is referring to the application of science to production. The Ricardian theory of the natural wage rests not on

11. *ibid*, p35-36

12. *ibid*, p58 and p111

13. *ibid*, pp⁶⁶⁻⁷⁹

nature but on historical and institutional circumstances. These are the products of human action and are capable of being changed by human action. The poverty of the labourer was not due to rising population pressing on diminishing natural resources but rather it was due to the separation of the tools and materials of production from the labourer.

"... he regarded rent and profit as two indistinguishable results of a single historical cause, namely of what may be called in Marxist terminology, the separation of the worker and the means of production."¹⁴

Hodgskin was not concerned with exchanges of abstract units of value but with the exchange between labourer and capitalist. It was not the measurement of value in exchange that concerned Hodgskin but the question of how to enhance the productive power of labour and ensure that the worker received the benefit of this increase. Hodgskin defines Political Economy as,

"... the science of all the circumstances or laws which influence the productive power of labour, and which regulate and determine the distribution of the products of labour."¹⁵

Although Hodgskin's Popular Political Economy (1827) and Labour Defended (1825) were published after Ricardo's third edition of the Principles (1821) with its famous chapter on 'Machinery', the earlier correspondence to Francis Place in 1820 shows that

14. *ibid*, p80

15. Hodgskin, Thomas, Popular Political Economy, Charles Tair, London, 1827, pp5-6

Hodgskin's emphasis on the productive powers of labour were central to his analysis of Political Economy before Ricardo wrote about Machinery. In addition, whereas Ricardo never integrated his views on machinery into the rest of his analysis, Hodgskin, in fact, did just that. For Hodgskin the analysis of the productive power of labour is his starting point and takes up in various ways over half (the first half) of his book Popular Political Economy (1827). Chapter 1 commences with an analysis of labour - not value. In particular the importance of mental as well as physical labour is discussed and such was Hodgskin's emphasis on the importance of mental labour that some socialists at the time accused him of providing a justification for the capitalists profits.¹⁶ In this they were misguided for Hodgskin was claiming that profit derives not from the application of labour and capital but from the separation of ownership of fixed capital and the products of labour as commodities which will be exchanged for wages. Hodgskin was certain that capital in itself without the human intellect and hand could do nothing productive and deserved no reward. In Labour Defended Hodgskin examines the importance to labour of knowledge and invention.

16. Parkhurst, R K P, William Thompson (1775-1833), Watts & Co., London, 1954, p102

"The most perfect instruments ever made by labour, require as in the case of a timepiece, a peculiar skill to render them productive."¹⁷

Hodgskin points out further that without use and maintenance machinery rusts and decays and even in the extreme case of a fully automated machine the automation is itself the end product of human labour and its application requires the further extension of human labour.

"The utility of the instruments the labourer uses, can in no ways be separated from his skill. Whoever may be the owner of the fixed capital ... it is the hand of the labourer which makes it, preserves it from decay and which use it to any beneficial end ..."¹⁸

Chapter 2 of Popular Political Economy examines the importance of knowledge and invention and chapter 3 digresses into the question of how knowledge advances. The following chapters 4, 5 and 6 all examine aspects of the division and organisation of labour. In chapter 9 Hodgskin attacks Ricardo's view of a rising natural price. Hodgskin does not demur from Ricardo's view that a commodities natural price is determined by the quantity of labour required to produce it but maintains that this price itself is subject to distortion by what Hodgskin calls the social price. (Hodgskin acknowledges the idea of social price comes from Tooke

17. Hodgskin, Thomas Labour Defended, Knight and Lacey, London, 1825, p16

18. *ibid*, pp17-18

book on Prices). Essentially Hodgskin equates natural price with cost price measured in terms of labour inputs and social price as determined by historical chance and institutional regulation. Far from the costs of production rising (Ricardo), the ...

"... natural effect of improvement ... (is) ... to diminish gradually the real natural price of almost all manufactures ..."19

argues Hodgskin supported by the above quote from Adam Smith. But what then explains the relative increase in prices of goods to that of labour? Social arrangements which enable both the dispensing with labour into destitution or the cutting of wages plus the ability of the capitalist to control the price at which goods are sold back to the labourer.

"If nature do not demand more labour for food as society advances, then ... the difficulty which the labourer unquestionably experiences in obtaining food, is the result not of natural but of social circumstances."20

Hodgskin observes that natural price provides a floor below which commodity prices will not be able to fall.

"They cannot be sold for less labour than they cost but they can be sold for more ... The money price of all commodities is ... influenced by numerous circumstances; and it is by no means an easy task, ... to detect the real cause of those variations in price which are of daily occurrence ...

19. Hodgskin, Thomas, Popular Political Economy, p231

20. *ibid*, pp232-233

Variations in price have very important results ... they regulate consumption ..."21

Hodgskin refers in this chapter to factors which might be attributable to market forces of supply and demand - Ricardo's market price - and he clearly understood and knew the term. His failure to refer to the concept may be evidence that he saw market forces not as a natural phenomena but as a social phenomena and thus to be subsumed under his concept of social price. In today's markets dominated by oligopoly such an analysis appears close to the truth. To talk of the market power of a Transnational Corporation begs the question. The decisions to adopt policies and hence influence, lead or even create markets, is essentially the result not of natural laws but social and institutional decisions.

It is probably on the view that social price is imposed by those with the power that Hodgskin calls for free competition as the means of forcing prices back to their natural price - in this he is agreeing with Ricardo. In so doing he incurred the displeasure of the socialists.

"Hodgskin sought to render the existing system completely competitive in the hope that this would enable the labourer to receive the full fruit of his toil. Thompson applauded his goal but thought the means totally unrealistic." 22

21. *ibid*, pp232-235

22. Parkhurst, R K P, William Thompson (1775-1833), pl03

Hodgskin's support of free competition is perhaps surprising, seeing how Hodgskin clearly recognised the impulse of Capitalists to accumulate more capital and the negative impact such accumulation has on the labourers.

"... every accumulation ... adds to the amount of profit demanded."²³

What Hodgskin fails to notice is that the competitive pressure is the motor for greater accumulation. However, it may be that, distrustful of Owenite 'social engineering' and other institutional forces to change society, he was left with no other alternative strategy. Today co-operators might have more sympathy for Hodgskin's call for free competition. There are the beginnings in Yugoslavia of what has been called Market Socialism. Also Vaneck (1970) has produced a version of the neo-classical model operating on the basis of an economy run by labour-managed firms.

In his final chapter 10 where Hodgskin gives a rather weak and sketchy analysis of the process of accumulation he sums up his explanations of the wretched condition of the working people in terms of the ability of one class to accumulate the products of labour. It is the ownership of the means of production and the ability to dispose of labour as part (variable) of those means of production that causes the misery of

23. Hodgskin, Thomas, Popular Political Economy, p246

the labouring class.

"The power now possessed by idle men to appropriate the produce of labourers, seems to me the great cause of ... poverty and wretchedness ... the free discussion of this important question is not without danger."²⁴

So concerned was Hodgskin concerning the "danger" that he had published his earlier work Labour Defended (1825) anonymously. In this work he specifically cites Ricardian theory in order to refute it, and in describing the Ricardian theory of labours share of the produce, Hodgskin resorts to heavy irony.

"The labourers' share of the produce of a country, according to this theory, is the necessaries and conveniences required for the support of the labourer and his family; or that quantity which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution. Whatever may be the truth of the theory in other respects there is no doubt of its correctness in this particular. The labourers do only receive, and ever have only received, as much as will subsist them ..."²⁵

What is it that capital does to merit the enormous reward it receives? Hodgskin quotes McCulloch, (A Ricardian Economist) and James Mill for the answer. McCulloch had pointed to three grounds for the rewards of Capital. First it enables work to be conducted which could not be done without it. Second it reduces the amount of labour-time necessary for production of a given commodity. Thirdly it enables an improvement in

24. *ibid*, p237

25. Hodgskin, Thomas, Labour Defended, p6

the quality of the work. Mill adds to these arguments a fourth; the labourer has neither raw materials nor tools. These are provided for him by the capitalist. For making this provision the capitalist of course expects a reward.

Having stated capital's case for a share of the product, Hodgskin goes straight on to attack Ricardo's Wage Fund theory and concludes,

"... no species of labourer depends on any previously prepared stock, for in fact no such stock exists; but every species of labourer does constantly, and at all times depend for his supplies on the co-existing labour of some other labourers... the only thing which can be said to be stored up or previously prepared, is the skill of the labourer."²⁶

Hodgskin recognises some stocks of commodities are held in advance but not a complete years consumption. He ignores stocks of machinery but he is entitled to as here we are discussing the issue of variable capital from which all wages are paid.

But what about the claims that fixed capital deserves its reward? Hodgskin notes that the orthodox political economists admit machinery is the product of previous labour but claim their reward is on account of having saved or stored up this labour. This idea Hodgskin rejects. No capitalist mobilizes capital equipment except to encourage its earliest possible use. Indeed the longer they are stored the less value they will

produce.

"Fixed capital does not derive its utility from previous, but present labour; nor does it bring its owner profit because its stored up, but because it is a means of obtaining command over labour." 27

This quote introduces another important idea to be found in Hodgskin's analysis of the relation of labour to capital. Capital is able to dictate terms of the exchange and to control the process of production upon which the labourer is engaged. This aspect of Hodgskin's early analysis has since Bravermann's *Labour and Monopoly Capital* (1966) received a great deal of academic attention. The idea however, of the labour process is to be found at the very onset of the factory system in the writings of the Labour Economists of this time.

Closely related to the issues raised by the labour process debate is a further idea pioneered in the writings and work of Hodgskin that has a particularly modern ring to it. This is the realisation that workers must upgrade their knowledge and skill if they are to be able to control the application of science in production. To promote this objective Hodgskin joined forces with I C Robertson to produce the Mechanics Magazine on 11.10.1823. From this project the two men conceived the idea of a popular working man's institute. The London Mechanics Institute was formed

the same year. But the two men soon lost control of the organisation.

"An obstinate struggle took place between Hodgskin and Robertson, on the one hand, and Francis Place, on the other, especially from the time when Dr Birkbeck lent a large sum on interest to found the institution."²⁸

It is Birkbeck who is remembered today by the University of London not Hodgskin or Robertson. Francis Place saw to it that the middle class financier gained control. Nor is this the only time Place is to be found thwarting Hodgskin. Halevy tells us it was Place that prevented earlier attacks on Malthus by Hodgskin being published and again it was Place that prevented Hodgskin from repeating his lectures on Political Economy after the first series was concluded.²⁹

Knowledge was the key to control and to the differentials in pay between different grades of workers. Knowledge and superior skill were also what enabled managers to exploit their position for their own advantage.

"... because those who have been master, planners, contrivers, etc., have in general also been capitalists, and have thus had command over the labour of those who work with their hands, their labour has been paid as much too high as common manual labour has been underpaid."³⁰

28. Halevy, Elie, p87

29. *ibid*, pp60-66 and p91

30. Hodgskin, Thomas, Labour Defended, pp26-27

Hodgskin argued as did Thompson and Bray that the determination of appropriate differential rates of pay was extremely difficult on a rational basis. Not that Hodgskin was against differentials as such.

"There is no principle or rule, as far as I know, for dividing the produce of joint labour ... but the judgement of the individuals themselves; that judgement, depending on the value men may set on different species of labour can never be known, nor can any rule be given for its application by any single person ...

I know of no way of deciding this but by leaving it to be settled by the unfettered judgements of the labourers themselves ...

I must, however, add that it is doubtful whether one species of labour is more valuable than another, certainly it is no more necessary ..."³¹

The two authorities who have written about the life and works of Thomas Hodgskin associate his ideas with those of Bentham and even perversely with Malthus!

Esther Lowenthal writes;

"... he agrees to a certain extent with socialists in his criticisms of actual society. But in his constructive theory and his hope for the future, he is more nearly allied to Bentham than with even the predecessors of Karl Marx."³²

And Elie Halevy notes in his conclusion,

"... Hodgskin comes strangely near to that of Malthus. Necessity, he tells us, is the mother of invention, and the continued

31. *ibid*, pp24-26

32. Lowenthal, Esther, 'The Ricardian Socialists' in Studies in History, Economics and Public Law, Vol 46, No. 1, Columbia University Press, 1912, p83

existence of necessity can only be explained by the continued growth of people. Would Malthus have expressed otherwise?"³³

Whatever may be said about the antedecedents of Hodgskin's more general social philosophy, in terms of his writings on Political Economy both authors do less than justice to Hodgskin's originality of thought.

Hodgskin brought together four crucial ideas in a way that no previous writer had. Ideas that Ricardo had all but totally ignored in his own economic investigations.

Hodgskin showed:

1. The crucial importance of the separation of ownership of the means of production from labour.
2. The crucial role of science in production as a means to increase the living standards of labour and as a part of the labourer's own application of skill and knowledge.
3. The crucial need for technical and managerial knowledge to be in the hands of the labourer in order to ensure his control of the process of production. At the same time Hodgskin is aware of the opportunity that the separation of ownership of capital from labour provides for ensuring the capitalists control over labour in the production process.
4. The distinction between Natural Price and Social Price provides for a theory of exploitation that unlike the labour theory of value does not depend on neo-classical assumptions of free competition and avoids "one price" assumptions that must flow from it. Nor does it require equally ridiculous assumptions concerning the ratio of fixed to variable capital or single commodity economies, etc, that mathematical economists contrive in order to 'prove' the transformation problem can be resolved in theory, however unlikely the theory in practice!

33. Halevy, Elie, Thomas Hodgskin, p176

Lowenthal's opinion that Hodgskin's views on the important role of science and invention in production was;

"... an unconscious admission of the productivity of capital ..."³⁴

could not be further from the truth. Hodgskin clearly believed that invention and the activity of scientific investigation was an act of labour.

"Thus we have at once two species of labour to which it behoves us to attend; viz. the labour of observing and ascertaining by what means the material world will give us most wealth, and the labour of carrying those means, when ascertained, into execution ... both of them are equally necessary to production, and are practised by almost every individual."³⁵

Inventors are not only rarely capitalists, Hodgskin tell us they are often part of the exploited labour force.

"No subject of complaint is more general or more just than that the inventor of any machine, does not reap the benefit of it ..."³⁶

Finally, whilst Hodgskin may have been critical of government controls or Owenite strategies it is a complete misrepresentation to argue as Lowenthal does that the labour theory of value as outlined by Hodgskin was,

34. Lowenthal, Esther, 'The Ricardian Socialists', p73

35. Hodgskin, Thomas, Popular Political Economy, pp45-46

36. Hodgskin, Thomas, Labour Defended p18

"... the individualistic claim of the right of each man to the product of his industry ..."³⁷

Hunt (77) writes in a similar manner,

"Hodgskin was not, however, a socialist. He asserted that private ownership of the means of production, is both, (according to Hodgskin), a product of past labor and a necessary aid to present and future labor. As such the natural ownership of capital would fall to the laborer who both produces it and then produces with it."³⁸

Hunt here is implicitly agreeing with Lowenthal in seeing Hodgskin's case for the individual worker's ownership of capital as being contrary to socialist ideas. But Hodgskin's writings show that he was not making an individualistic case out at all.

On the contrary Hodgskin shows time and again in his writings on the division of labour, the uses and relationship between mental and physical labour, and the development of the increasing powers of labour (forces of production in Marx) just how integrated a process he saw work to be. Referring to machines he wrote,

"Without knowledge they could not be invented, without manual skill and dexterity they could not be made, without skill and labour they could not be productively used."³⁹

37. Lowenthal, Esther, "The Ricardian Socialists", p81

38. Hunt, E.K., op cit p337

39. Hodgskin, Thomas, Labour Defended, p18

And just how little Hodgskin may be said to be concerned with the "individualistic" right to the product of ones own industry may be ascertained from the following,

"There is, therefore, much less reason than is sometimes imagined for different species of labour being differently rewarded."⁴⁰

Hodgskin's socialism, in common with Bray, was based on the idea of the free association of labour through which the individual worker would receive the full reward for his labour. A modern example of this idea in practice is the individual capital accounts held by the worker-members in the Mondragon Co-operatives in Spain (see Thomas and Logan 82).

By the early 1830s Hodgskin was at last beginning to gain recognition and might have been expected to continue his researches and become the theorist of the English socialist movement but his pace faltered. According to Halevy he was forced to maintain his family of seven children and became side-tracked and disappeared after 1832 into anonymous journalism. An

40. Hodgskin, Thomas, Popular Political Economy, p48

insecure and shy man with a poor educational background in the terms of the academic world of his day he died on the 21st August 1862 aged 82.

"It seems his compatriots and colleagues had forgotten his existence; not one London newspaper published a notice on his life and works."⁴¹

7.3 William Thompson

As an economist William Thompson is the least important of the three writers I have selected to examine of the English Labour Economists. However, he had lasting influence on the co-operative movement and in many ways his confusions, idealism and concentration on distribution rather than production, set the agenda for the co-operative movement in a way neither Hodgskin nor Bray achieved. I have placed my analysis of Thompson after Hodgskin, although Thompson's most important work was written earlier. An Inquiry into the Principles of the Distribution of Wealth was published in 1824 the year before Hodgskin's Labour Defended (1825).

The reason is that Thompson's shorter and more accessible Labour Rewarded (1827) is written as an answer to Hodgskin's Labour Defended and is much more concerned with economic, as opposed to philosophical issues, than Thompson's earlier work. I believe that it was likely to be this latter work that was the more

41. Halevy, Elie, Thomas Hodgskin, pl65

widely read at the time and the more influential. Thompson's wider influence on the co-operative movement may be judged by the fact that William Pare was considered to be his disciple.⁴² Thompson's character has been summarized as,

"... retiring and visionary, one who passed more of his time in study than in society, and more with his own thoughts than with his books. He was from birth delicate in health, and for some seventeen years before his death a teatotaler and a vegetarian."⁴³

Thompson's biographer Richard Parkhurst writes of his published works and life,

"at the time ... his works were rigidly ignored by orthodox economists ...

Despite the immense value of his pioneer works on the most important social problems of his time, his books have long been out of print; no biography (up to that time - 1954) had been written."⁴⁴

It has been claimed that it was Thompson who first referred to capitalism as a 'competitive system' and whose writing in 1824 was the first sustained attack on the system of competition ever written in the English language.⁴⁵

42. Lowenthal, Esther, "The Ricardian Socialists", p15: also see Parkhurst, R K P, William Thompson (1775-1833), p102 who notes that Labour Rewarded was widely quoted in Co-operative, Socialist and Chartist circles.

43. *ibid*, p17

44. Parkhurst R K P, William Thompson (1775-1833), Watts and Co., London, 1954, p2

45. *ibid*, p31 and p54

Thompson has much in common with Hodgskin and it may be as well to identify the common ground before going into the areas of dispute. Thompson's emphasis on the importance of the distribution of wealth rather than its production may seem to set him apart from Hodgskin but he, like Hodgskin, starts his analysis not from an inquiry into value theory but on the physical conditions of the labourer.

"How comes it that a nation abounding more than any other in the rude materials of wealth, in machinery, dwellings and food, in intelligent and industrious producers, with all the apparent means of happiness ... should still pine in privation? ... Why is it that a system enriches a few at the expense of the mass of producers, to make the poverty of the poor more helpless ... to command the products of the yearly labour of the community."⁴⁶

It may be that Thompson could see the complications that the defence of labour on the basis of labour's role in production would produce. Indeed he raised some of these issues with Hodgskin as we shall see later. Thompson based his analysis on Benthamite principles of moral justice - the greatest good to the greatest number - and set out to show that contrary to Bentham's teaching it was co-operation not competition that was the mechanism for achieving this end.

"Bentham, the arch-individualist, based on his principle a political system in which the activity of government was reduced to the minimum ...

46. Thompson, William, An Inquiry into the principles of the distribution of wealth, Longman, London, 1824, pp xv-xvi

Thompson on the same principle ... advocates one of Owen's planning, in which every detail of individual life is socially arranged
"⁴⁷

Also, in agreement with Hodgskin, Thompson refutes the Ricardian/Malthusian doctrine of declining productivity of labour and over-population as an explanation of working-class poverty.

"... he broke with the majority of Utilitarians who accepted Ricardo's wage fund theory and the Malthusian doctrine of population ..."⁴⁸

A further important similarity between the approaches of Thompson and Hodgskin is the concern both men felt to promote knowledge amongst the ordinary people.⁴⁹ Thompson wrote on the connection between knowledge and the production and distribution of wealth that;

"We may observe as to the effects of knowledge ... that it is in three ways intimately connected with our subject. It devises the means of constantly improving the arts, rendering labour more productive in quantity or quality of production ..

It indefinitely increases the enjoyment to be derived from these materials of wealth ... It keeps the blessings of equal security ... constantly under the mental contemplation of members of the community and ... renders any retrograde movement ... impossible."⁵⁰

47. Lowenthal, Esther, "The Ricardian Socialists", p41

48. Parkhurst, R K P, William Thompson (1775-1833), p20

49. *ibid*, p27

50. Thompson, William, An Inquiry into the principles of the distribution of wealth, Longman, London, 1824, pp277-278

Thompson's concept of social science and his view as to the importance of acknowledging the relationship of knowledge and morality or ethics is a standpoint with which the present writer has already associated himself in chapters 1 and 2 of this work. In An Inquiry, Thompson spells out the crucial question which all socialist governments in all the countries of the world have had to come to terms with. For Thompson it is essentially a moral question.

"Here is the important problem of moral science to be solved, how to reconcile equality with security; how to reconcile just distribution with continued production."⁵¹

Lowenthal writes of Thompson's concept of social science;

"... He addresses himself to a ... social science ... that ... will consider wealth not only in its effects on industry and reproduction, but also its moral and political effects ..."⁵²

Unfortunately she fails to recognise that Thompson was in effect calling for a unification of knowledge and ethics for a Social Science rather than social sciences and ethics. For;

"Social science was the focus where at the various branches of knowledge converged ... for there was no hope of progress as long as

51. *ibid*, pxiv

52. Lowenthal, Esther, "The Ricardian Socialists", p19

the science of morals remained divorced from that of political economy." 53

Lowenthal sees Thompson as an idealist not writing with the 'scientific' aim of investigation: as if the two are ever really separated except in the equally ideologically-laden concept of the 'neutral' investigator. On this issue it may be stated, in passing, that Hodgskin was as anxious as Thompson to see the education of the labourer in moral as well as technical terms.

"Mechanics Institutions will teach men the moral as well as the physical sciences. They excite the disposition to probe all things to the bottom, and supply the means of carrying research into every branch of knowledge."54

A further and important area of agreement between the two men was that of the essential equality of worth of all work and the feeling that equality of reward was a reasonable approach to the problem of paying wages. Thompson goes rather farther than Hodgskin, who would leave the matter to custom and the values of the labourers themselves, Parkhurst writes with intermingling quotes from Thompson that the latter believed,

"No species of labour, if cheerfully given according to the capacity of the giver should

53. Parkhurst, R K P, William Thompson (1775-1833), pp27-28

54. Hodgskin, Thomas, Labour Defended, p30

be more or less deserving of reward than any other." 55

What then, given the amount of common ground that existed, was the basis of the dispute between Hodgskin and Thompson? Essentially the dispute was about two issues. Firstly, it was about the issue of productive and unproductive labour and the respective rights of all men to participate in the wealth of society. Secondly, it was about the issue of strategy; of what means will best achieve the desired ends. About the ends themselves both men were apparently in broad agreement. Would a complete break with the market forces of capitalism be required - a centrally planned and administered closed system, which of the self-reliant community - a planned system leading all the way towards the Socialism in One Country model? Or was a free 'unadministered' approach to labour's liberation possible alongside and in competition with the privately owned company?

Taking the issue of Productive and Unproductive Labour first it should be noted that Thompson writes of mental labour as unproductive even if it's contributing to the manufacture of commodities as well as mental labour engaged in the arts, education, etc. Thompson criticises Hodgskin on three counts. Firstly, his apparent failure to show why any labour apart from productive labour receive part of the national wealth.

55. Parkhurst, R K P, William Thompson, (1775-1833), pl07

Secondly Thompson felt that Hodgskin's emphasis on the importance of mental labour may lead to a new elite emerging. Thirdly Hodgskin's solution to determining the level of reward for different types of labour was quite inadequate in Thompson's view.

In relation to Hodgskin's failure to allow for non-producers to get a share in the wealth of society Thompson's point is well made. The real underlying weakness, however, that Thompson is pointing to is of the problem of basing a theory of distribution on the precept of all the product of the labourer returning to the labourer. What about those unable to work productively or else engaged in unproductive but necessary occupations? However, Thompson does not appear to recognise that 'services' as we should say still have utility in exchange and that competition and need could determine their relative exchange value with other workers. This still leaves the very young, sick, old and infirm; have they no rights to share in the national wealth? Clearly they do and there is nothing in Hodgskin's Labour Defended to suggest otherwise. It is simply that over-reliance on the labour theory of value obscures some important questions concerning the distribution of labour's product.

On the question of Hodgskin's emphasis on mental labour Parkhurst sees Thompson as accusing Hodgskin of overstating the position whilst Lowenthal argues that Thompson sees Hodgskin's principle of the holder of

capital being denied a share in the wealth of the country leading to the exclusion of mental labourers as well.⁵⁶ In fact, Thompson makes both these points at different stages as his argument develops. Clearly Hodgskin has insisted on the importance of including mental as well as physical labour but does go on to suggest that some elements of both are present in varying degrees in all work.

"the exercise of that skill, also, as it seems to me, requiring the constant application of judgement, depends much more on a mental than on a bodily acquirement."⁵⁷

The issue for Thompson, however, is how much reward.

"Does the author (Hodgskin) think that mental labourers are entitled to as much, or to a greater share, of the products of labour than the operative labourers themselves?"⁵⁸

Hodgskin, according to Thompson, leaves the issue of the labourers rewards to the 'higgling of the market' - a reference to Adam Smith that Hodgskin includes in his discussion of this question. Thompson was opposed to the competitive system and clearly cannot accept such a market-based solution for distributing the product of labour. Thompson fears that Hodgskin's emphasis on mental labour will lead to the,

"... pampering of a new host of conceited swaggerers, with their varied-coloured merits

56. *ibid* p107

57. Hodgskin, Thomas, Labour Defended, p26

58. Thompson, William, Labour Rewarded, Hunt and Clark, London, 1927, p3

in their bonnets, instead of the old stupid herd of capitalists ... capital the outs, wit or genius the ins." ⁵⁹

Of course as we have seen earlier (7.2 footnote 30) Hodgskin was as concerned about the danger of educated elites as was Thompson. Neither man appears to have considered that with education and organisation the workers would in any event be able to withstand this threat. Often in the post-war period it has been the educated white collar workers who have found themselves poorly paid relative to manual workers. Nevertheless, in general, education does provide access to high income and influence in modern society.

However, is Thompson being fair to Hodgskin in attributing to the latter the view that wages should be determined by market forces? Hodgskin does recognise an element of supply and demand affecting differentials but placed much more emphasis on custom and the values of the labourers themselves (see 7.2 footnote 31). Don't tell the workers how to divide their product, leave it to them argues Hodgskin.

"The labour is theirs the produce ought to be theirs, and they alone ought to decide how much each deserves of the produce of all." ⁶⁰

However;

"This will not do for Thompson who claims present remuneration to be ordered by ... a

59. *ibid*, p6

60. Hodgskin, Thomas, Labour Defended, p27

variety of accidents and chances, comprised in the phrase supply and demand ..."⁶¹

In fact, Thompson may be regarded as one of the earliest advocates of job evaluation and merit payments schemes when he writes that remuneration should be calculated on the basis of,

"... difficulty, hardship, unhealthiness, strength, skill, utility of the work, mental effort as compared with muscular, or the good disposition (inclination to industry) of the labourer ..."⁶²

Hodgskin does not appear to have answered these points as such and his analysis later in his Popular Political Economy (1827) shows no sign of wishing to reply to Thompson's points or even of knowing about them. Both works being published in the same year may account for this. It may be that Hodgskin did in fact reply to these issues in one of the many articles he wrote but his biographer Halevy makes no mention of them. Thompson is portrayed by Halevy as responding to Hodgskin's Labour Defended in which Hodgskin admitted that his work was not going to resolve this question.

"When we have settled the question, however, as to the claims of capital or labour, we shall have proceeded only one step towards ascertaining what ought now to be the wages of labour. The other parts of the inquiry will, I trust, be entered into by some of my fellow-labourers ..."⁶³

61. Thompson, William, Labour Rewarded, p33

62. *ibid*, p33

63. Hodgskin, Thomas, Labour Defended, p5

Hodgskin, as has been shown earlier, felt the case for existing differentials to be maintained not to rest on very solid foundations. In letting the labourers themselves decide, Hodgskin may well have accepted the criteria Thompson suggested. He did not, however, agree with Thompson's belief in the regulation from the inside of a self-sufficient Owenite community. Whilst the solution of independent communities may not be the correct one - history certainly would judge so, nevertheless, Thompson felt himself to be on strong ground in being incredulous that free competition will lead to the liberation of labour either,

"The author of the pamphlet 'Labour Defended', stands alone, as far as I know, amongst the advocates of Individual competition, in even wishing that labour should possess the whole of the products of its exertions. All other advocates of individual competition look on the notion as visionary, under the Competitive System."⁶⁴

Certainly labour has ignored both Hodgskin's Market based Socialism and Thompson's Planned Community approach, opting instead for a mixture of Free Collective Bargaining, Keynesianism and Welfare Economics to provide for their needs. Today as we face a new technological and organisational revolution under capitalism this strategy, which produced such positive results in the post-war period, appears to be in retreat since the end of the 1970s.

The idea of a gradual improvement of labour's position

64. Thompson, William, Labour Rewarded, p97

from the basis that Hodgskin advocated was not totally dismissed by Thompson. Referring to the possibility of labour achieving control of its product under the competitive system Thompson wrote,

"... I think that much greater though still very slow, advances may be made towards it, by rationally and fearlessly following their (the capitalists) system in all its consequences, than they are themselves aware of; (and) than the great majority of them wish."⁶⁵

It may have been with these thoughts in mind that Thompson called for the mobilisation of small savings for the development not of communities but for,

"... Agricultural and Manufacturing Associations ... The funds may be obtained by petty savings out of the wages of labour ..."⁶⁶

Trade Unions too could be potential vehicles for the mobilisation of working class capital. Thompson advocates a revolving loan fund concept as the means of financing the gradual development of labour-owned businesses.

"These funds, repaid by one set of individuals out of the produce of their united labour, made universally skillful and productive, and free from the trammels of competition and the defalcations of exchanges and distribution, might be immediately lent to another set of individuals, anxious like their predecessors, to enjoy the whole products of their united labour, and so on to another, until Industry by Mutual Co-operation, or the Union of Large Numbers,

65. *ibid*, p97

66. *ibid*, pl02

everywhere superseded the Industry by isolated exertion and Individual Competition."⁶⁷

Referring to Ricardian doctrine that capital can only be generated out of profits, Thompson writes;

"... the pitiful and absurd dogma, that capital can only be created by savings out of profits. Be it your pride ... to show ... that ... with tenfold the ease and celerity, by savings out of the wages of labour; first ... to enable you to acquire the means of securing to yourselves the products of your united labour, and then ... buildings, machinery and permanent rural and domestic improvements, as will put to shame those now boasted of individual accumulation ..."⁶⁸

Thompson added nothing to the analysis of Hodgskin in terms of the production process and labour's role within it. But he recognised the ideological difficulties that the labour theory of value potentially generated. He also appreciated the problems which the competitive system would present for labour and recognised clearly the problems of distribution that replacing capitalism would still leave unanswered. Thompson's call for a new social science was answered in the all inclusive analysis of Marxism-Leninism, not one ventures to say an answer Thompson himself would have relished, but nevertheless an attempt at the reintegration of disciplines that he called for. In his calls to mobilise small savings and build up slowly what Owen had attempted to achieve from the top down he

67. *ibid*, p103

68. *ibid*, p103

pre-empted both William King and John Francis Bray. A final point to make about Thompson is that he alone may be said to have directly influenced the thinking of a leading member of the academic establishment - John Stuart Mill. This was perhaps as much a question of his superior social standing and wealth to that of Bray and Hodgskin as to the power of his writings. However, his emphasis on the need for a fair system of distribution and the lesser attention he gave to the issue of ownership of the means of production may have made his ideas more palatable to the classical liberalism of John Stuart Mill.⁶⁹

7.4 John Francis Bray

In the words of Karl Marx, in this section;

"We shall content ourselves with listening to an English Communist Mr Bray. We shall give the decisive passages in his remarkable work, Labour's Wrongs and Labour's Remedy, Leeds, 1839, and shall dwell some time upon it ..."⁷⁰

In fact, John Francis Bray was born in 1809 in the United States of an expatriate family from Leeds. As a result of family misfortune he spent most of his formative years in England from 1822 to 1842. He became a journeyman and for a time was forced to go on the "tramp". H J Carr tells us,

69. Parkhurst, R K P, William Thompson (1775-1833), pp212-215

70. Marx, Karl, The Poverty of Philosophy, Progress Publishers, Moscow, 1966, p60

"He was able to obtain a little relief from the secretaries of the trade unions, to whom he showed his trade union card; but he was compelled to put up in low lodging houses, never knowing when he would get another scanty meal ... during this period of his life ... his mind ... turned to a consideration of the injustices under which the workers suffered ..." ⁷¹

Bray experienced first-hand the hardship and reality of working-class life in the second quarter of the nineteenth century. His book is the product of a sensitive and courageous mind reflecting upon and responding to the adversities that it encountered. Marx was not exaggerating when he called Bray's book 'a remarkable work'. It was the last and also the greatest work of the school referred to as the English Labour Economists. Its greatness lies in its synthesis of what had gone before, particularly the intertwining of the ideas of Hodgskin and Thompson. But Bray did more than bring together existing ideas; he developed them. Hodgskin's scepticism of government intervention becomes in Bray a statement on the interconnection of the economic and political systems with the former having determination of the latter. An idea he used in his criticism of the Chartists' agitation and one taken up, with effect as one of the cornerstones of his entire system, by Karl Marx.

"All the forms of government at present existing are in a greater or lesser degree tyrannical and irresponsible ... laws are always necessarily imbued with the spirit of

71. Carr, H J, 'John Francis Bray' in Economica, November, 1940, p399

inequality which pervades the government from which they spring ...

... all these ideas of superior and inferior ... may be traced ... to the consequent rise of inequality of possessions; and such ideas will never be eradicated, nor the institutions founded upon them subverted, so long as this inequality is maintained."⁷²

Bray notes that outward forms of government at present existing betray a similarity of function no matter what "principles" the government adopts. Poverty and injustice he noted was just as great in America despite the Bill of Rights as in 'Monarchical and priest-ridden England'. Bray predicted that by the end of the century America would be governed by an oligarchy. C Wright Mills and Gailbraith, amongst many others have testified to the accuracy of this prediction. In addition to Bray's criticism of constitutional reforms, he had little time for all single issue reforms or remedies.

"The productive classes are bewildered amidst the multiplicity of the remedies offered ...

There is wanted, not a mere governmental or particular remedy but a general remedy - one which will apply to all social wrongs ...

... a remedy for ... incessant toil ... a remedy for misery and ignorance and vice which such toil, idleness and such poverty produce."⁷³

Bray recognised that such conditions had a debilitating effect on human nature but he was not a determinist.

72. Bray, John Francis, Labour's Wrongs and Labour's Remedy, Leeds, 1839, p36

73. *ibid*, p8

Lowenthal claimed that,

"He had, in order to give opportunity for reform, to suspend, for a time the absolute power over character."⁷⁴

In fact, Bray never suspended because he never admitted the absolute power of the environment. Environment might explain the temporary behaviour of the generality of mankind, but Bray clearly held that particularly gifted or inspired individuals could transcend their environment and provide ideas and leadership that could disturb the given "conditioning" environment. Nor is such a view as elitist as it might at first appear, for implicit in such reasoning is the assumption that the generality of men have wit and independence enough to recognise and follow new ideas and movements opposed to the way they have always been taught and have always lived. Bray wrote,

"There always have been, in all countries and under all forms of government, individuals in mental advance of, and apparently in opposition to, the main body of a people. They are the pioneers ... although they make the road to knowledge, to freedom and to happiness, practicable and easy, they do so only by paving it with their own bones."⁷⁵

Bray understood, and probably experienced, the selfish nature and cruelty of action that hardship and poverty encouraged.

"No common bond of sympathy and fellow-feeling has ever drawn the hearts of

74. Lowenthal, Esther, 'The Ricardian Socialists', p87

75. Bray, J F, p26

men together, for there has been among them no common interest."⁷⁶

Thus developed Bray's strategy of an intermediate social organisation to precede the grand community of Robert Owen. Bray may have attended Owen's meetings in Leeds in the 1830s and Lloyd-Prichard has argued that it is from Owen that Bray took his ideas on currency.⁷⁷ When back in America many years later Bray wrote of Owen;

"Robert Owen who did so much to establish the co-operative idea, giving up a fortune and labour without stint, was a whole souled reformer, and went to the root of social evils ... no one could fail to respect him." ⁷⁸

Bray, like Hodgskin to some extent, was sceptical about the top down approach of the Owenites and sceptical of the practicability of establishing communities right away. But like Owen and Thompson, Bray was very concerned with moral as well as economic improvement and saw a close relationship between the two. The major portion of chapter 9 of Bray's book Labour's Wrongs deals with the problems of human nature.

"Thus while it is confessed that there is not now amongst men that intellectuality, that charity, that high sense of honour, that genuine morality which is essential to the proper working of a system of equality - it cannot be denied that by intermediate

76. *ibid*, p39

77. Lloyd-Prichard, M F, 'Introduction' in A Voyage from Utopia, J F Bray, Lawrence and Wishart Ltd, London, 1957, pl4

78. *ibid*, pl4

arrangements, individuals may be sufficiently imbued with these requisite qualities to commence the change."⁷⁹

For the real practice of community of possessions Bray acknowledged there need be more than an intellectual understanding of the principles.

"There must likewise exist the requisite feelings and moral qualities, all well developed, and accompanied by high intellectual powers."⁸⁰

Another important strand to the gradualist and non-violent strategy which Bray advocated was his insistence that such a strategy had to be based on "First principles" and it was here that according to Lowenthal, Bray justifies his call for fundamental social change on a philosophy of rights.

"Granted Bray's contention that forms of the state are only manifestations of the ownership of wealth and any of the eighteenth century declarations of the rights of man could be called arguments for socialism."⁸¹

Bray wrote;

"1. All men are alike in regard their substance ... therefore ... the ... nature of the absolute wants are the same.

2. The materials for human preservation are valueless unless processed through the medium of labour. Without these worked upon materials human life is impossible ... therefore, all men should labour.

3. As the nature and wants of all men are alike ... the rights of all must be equal and

79. *ibid*, p130

80. *ibid*, p134

81. Lowenthal, Esther, p88

the earth is a common property of all ...

4. As self preservation is the end of labour and general natural equality of powers and wants prevails, it follows that all who perform equality of labour ought likewise to receive equality of reward."⁸²

Thus Bray sets out the assumptions of his model. Unlike more mainstream writers like Ricardo, Bray's assumptions are in the character of simple first principles. If their elaboration would bring out many complex and difficult questions it is to these basic points Bray believed political and economic analysis should have their starting point. The assumptions or simplifications made in the alternative Classical or Neo-Classical Models were not concerned with first principles but more pragmatically with the elimination of data that made the model clumsy or even unworkable. Bray's simplifications include ought as well as is statements in a clear and precise manner. This inclusion of value statements within the presentation of "scientific" propositions by Bray has led Lowenthal to characterise Bray as basically Utopian but in an essentially transitional stage towards the scientific position of Marx.

"Bray ... ought to be classed with the Utopians."⁸³

This view of the English Labour Economists as merely

82. Bray, J.F., p28-30

83. Lowenthal, Esther, p105

Utopian forerunners of Marx has been challenged by King (1983);

"The Ricardian Socialists, in short, were as much scientific as Utopian economists and can justly be regarded as important forerunners of Marx." ⁸⁴

In Chapter 1 the simplistic division of science and ideology has been examined and its validity challenged. However, in her use of the term Utopian, Lowenthal implies more than a purely an ideological or unscientific position. For Utopian as she states it involves the view that people are perfectable - at least in principle - both as an individual but also as a society. Such a concept found in Western socialist writings can be traced as an idea to the Judaic/Christian theology that looks for the New Jerusalem - indeed this is the very imagery that is invoked by such thinkers from the Civil War debates to writers such as William Morris in the latter half of the nineteenth century. To this extent Bray was indeed Utopian and implied in his first principles is the statement that economic systems both in their organisation and in their products should have as their objective this perfecting of human nature and human society. However, unfortunately, the term has, and by Lowenthal's time this meaning was current, a subsidiary meaning not relating to this value proposition but to a lack of practicality.

Lloyd Prichard has written that many of Bray's critics

84. King, J.E., "Utopian or Scientific? A reconsideration of the Ricardian Socialists", in History of Political Economy, Vol. 15, No. 3, 1983, p370

accused him of being Utopian in precisely this way -
i.e. his remedy lacked practicality.

"... the Leeds Times ... has spoken of the
book as visionary and impracticable ..."85

Bray must have been particularly irritated by such
criticism. He had attempted by his intermediate
strategies to be both realistic in his objectives and
practical in the application of his principles. His
work Voyage from Utopia, a rather lightweight satire
showing how bad the current state of society really was
may have taken this criticism as its starting point.
The work was never published in Bray's lifetime although
Lawrence and Wishart produced an edition of it in 1957.

If in Bray's discussion of equal rights we can see a,

"... condensation of Thompson's argument for
equality leaving out his laborious
calculation of utility ..."86

then in Bray's discussions on Labour, Wages, Education
(particularly in his stress on scientific knowledge) we
can find much in common with Hodgskin.

"... thousands of persons could easily obtain
that scientific knowledge ... and equal
remuneration for equal labour would be the
true and just recompense for all services."87

That Bray should link equality of remuneration with the
spread of knowledge shows that he, intuitively at
least, recognised that as fixed capital becomes a
greater factor in production there is a tendency to see

85. Lloyd-Prichard, M.F., p16

86. Lowenthal, Esther, p88 .

87. Bray, J.F., p46

flatter wage structures and greater potential for the transferability of labour. In addition the higher the education and skill the greater the flexibility for transfer and hence the lesser the justification for different rates. Bray was not arguing that all labour was of equal value in any absolute sense. Merely like Thompson and Hodgskin that the differences were hard to quantify and of little technical importance. That is not to say wage differentials are not socially significant. Which is why Hodgskin felt such matters best left to the workers themselves. Bray agreed that there was little substance to the case for differentials.

"All kinds of labour are so mixed up together and so dependent on each other that the institution of inequality of rewards involves more actual pecuniary injustice than can possibly have existence under a system which rewards all men and all trades alike, for a similar application of labour."⁸⁸

The issue of a differential rate of wages shows up an important methodological difference in the approach of Ricardo and the English Labour Economists. Ricardo always "assumes" one rate of wages for the sake of making his economic model more easily operational whereas for Bray and his colleagues one rate is not assumed in the face of a mass of evidence to the contrary. It is investigated on the basis of evidence - i.e. the interdependency of labour and then presented as a goal worth striving to achieve on the basis of a preconceived value set of first principles from which the requirement of equal labour for all men was first deducted.

88. *ibid*, pp44-45

Bray distinguishes between the need for division of labour and management hierarchy and equality of remuneration. In his mind the former is quite acceptable alongside the latter.

"There must always be a division of labour - there will always be some whose mental superiority will qualify them to be the directors of their fellows ... Division of labour must never be lost sight of, for it is the lightener of mass toils and the first step to civilisation and refinement."⁸⁹

The basic cause of labours injury lies not in the division of labour, the application of science and machinery nor in any natural or inevitable failure of human nature but in the monopoly by one class of the means of production.

"... where one class, by its position in society, is thus dependent upon another class for the MEANS OF LABOUR, it is likewise, for the MEANS OF LIFE."⁹⁰

We can read in Bray the emerging concept of the "Labour Process" when he writes;

"... the employer - by his very position in society, as the purchaser and controller of the labour of the working class, has it in his power to suck from them, whether they will or not, the greater part of the wealth which they produce."⁹¹

Bray like Hodgskin believes that the existing workforce can supply its own needs. Hodgskin had argued that

89. *ibid*, p63

90. *ibid*, p52

91. *ibid*, p101

wages were not paid from a stock of pre-existing capital but by the exchange of wage goods from the production of current labour. Bray makes the same point;

"At the present time, multitudes of these various classes of producers are compelled to remain in idleness and impoverishment, while each man is in want of the very things which his unemployed neighbour can produce ...

All these contradictions - all this want of employment and this poverty arise from the system which places accumulation of capital in the hands of individuals and classes - from that system which makes one class dependent upon another for the means of labour and thus necessarily, for the means of life and happiness."⁹²

Thus Bray rejects the Ricardian notion of a fixed supply of variable capital from which to supply labour. From this premise it was argued that a glut of labour would occur if the supply went beyond the resources of this fixed variable capital to meet its needs. Against this glut of labour concept Bray argues,

"All human appliances of labour are intended to procure for man houses, food, clothes and other necessaries and he obtained by labour. It is evident therefore, that one of two things is necessary to the condition of a glut of labour. We all have a sufficiency of every necessary and luxury for consumption ... or else ... the raw materials of which they are composed is not in sufficient quantity to employ all labour ... "⁹³

Lowenthal takes Bray to task on this point;

92. *ibid*, pp105-106

93. *ibid*, pp104-105

"The exhaustion of natural resources, a menace ever present to the mind of Ricardo, apparently does not to Bray seem a possibility worth attention."⁹⁴

The only natural resource which Ricardo discussed in this connection was land and the consequent declining productivity of agriculture. Lowenthal writing over half a century after Bray could not have pointed to a single raw material remotely near to exhaustion despite an enormous increase in population. Today there are gluts of raw materials and the problem in North America and Europe is over production of food. This is more than just a debating point. For if we ignore the exhaustion of raw materials and accept as we surely must labours productive power (whatever the level of technology) then really the existence of human want and need does become a social and organisational problem that can in principle be overcome. Poverty ceases to be 'natural' or 'inevitable' but rather contingent on the social ownership and control of the means of its elimination on the one hand and individual character, skill and inclination on the other.

Bray offers two separate remedies or strategies for overcoming this problem of the monopoly by one class of the 'means to labour'.

94. Lowenthal, Esther, p99

7.4(i) Direct purchase of the means of production and distribution from the capitalist class.

Bray calls for,

"... a bargain ... between the producers thus united and the capitalists, and the fixed capital is transferred from one to the other."⁹⁵

Bray sees this process as being accomplished by the State, producing a medium of exchange that gives for every £1.00 of sterling a fixed labour-time equivalent upon which a calculation of value in labour could be made so that,

"... even if they were not possessed of gold ... (the labourers) ... merely promise to pay what labour will produce."⁹⁶

Bray reasons that as gold as both a medium of exchange and a store of value depends on the produce of labour for its value then why not accept the bond of labour as security against the transferred assets of the capitalist.

"... this gold is no more than a voucher that the capitalist shall receive other wealth to the full value of the things obtained from him, if a bond be given, it is equally a voucher that the contract shall be made good."⁹⁷

Bray's idea of using pottery instead of gold may seem eccentric but in practice the intrinsic value of the currency has been steadily debased ever since the time

95. Bray, J F, p172

96. *ibid*, p173

97. *ibid*, p173

Bray was writing. Bray does not assume that this purchase would take place overnight but might be accomplished by workers uniting in a particular sector in order to buy their employer out gradually with the agreement of the capitalists.

"It is not indispensable to the success of the movement, that the whole of the capitalists and producers should at once concur in the settlement of the question ... " 98

It may be objected that even if the capitalists as a class agreed to the transfer what would they do with all the money? Would not inflation reduce the purchasing power of the workers with the newly acquired capital and raw materials? If the capitalists are not going to buy more means of production they don't in fact need the full value of the capital they have transferred. Bray has of course provided for these amounts to be paid back over time on the security of labour bonds. He does not mention interest charges but had he been challenged on this point he might have agreed that a limited interest for foregoing immediate consumption was reasonable. In his discussion on money earlier in the book Bray claims that the government should print money in order to call forth supply.

"... if every working man in the United Kingdom had one hundred sovereigns put into his pocket, it would ... not at that moment, make the real wealth of the country greater by one loaf of bread. But it would give a vast stimulus to trade, for it would set thousands to work to replace the commodities

of every kind which their sovereigns would enable them to purchase and consume ..."⁹⁹

As Bray felt capital could be represented by a paper medium as easily as gold,

"... an indefinite increase of the circulating medium, under ... particular circumstances. would instantly set labour in motion, and thus incalculably increase the production of wealth."¹⁰⁰

Bray does not specify the 'particular circumstances' he had in mind but it may be fair to claim that he was assuming a situation where the means of production had been transferred to labour. The debt to capital and inflationary pressure (although Bray makes no mention of inflation its clear that he would have argued in this regard along the same line as he takes with the debt) caused by increasing the circulating currency would in Bray's view be consumed by the enormous increase in material commodity production that the full utilization of labour's productive power would unleash.

"... that the vast amount of unemployed labour and machinery which now exists is set in motion - that new inventions and new appliances are brought to bear in the business of production ..."¹⁰¹

The rapid growth of gross national product aided by the application of new technology would reduce the size of

99. *ibid*, pp144-145

100. *ibid*, p145

101. *ibid*, p172

the debt to insignificant proportions. Bray like Hodgskin sees the enormous potential for capital accumulation and the consequent increasing productive power of labour inherent in machinery.

"If we were without the vast accumulation of machinery of various kinds ... There would be neither so many rich or so many poor ... It is this giant auxiliary ... which enables the productive classes of Britain to create an amount of wealth adequate to support the enormous drain which is perpetually taking place upon them."¹⁰²

And by implication would enable them to produce to meet the increased demand for wage goods (short-term) and luxuries and debt repayments (medium-term). Lowenthal has argued that Bray confuses the concept of capital with that of money - an argument repeated by Lloyd-Prichard.¹⁰³

"Bray ... reconsiders the supply and demand for labour to be a relation between the working population and all capital, or to be quite exact, 'capital or money'. A confusion of capital and money, and the later course of the argument shows that Bray did make this confusion is a serious error."¹⁰⁴

and

"It is obvious that Bray's knowledge of the political economy of his day did not extend to what was perhaps its soundest part, Ricardo's, quantity theory of money."¹⁰⁵

102. *ibid*, p82

103. Lloyd-Prichard, M F, p14

104. Lowenthal, Esther, p90

105. *ibid*, p96

Lowenthal is apparently basing these criticisms on one or two passages of Bray's taken in isolation of his ongoing argument. For example Bray writes,

"They say that there is only a certain quantity of capital or money in a country capable of being applied to the purposes of production, that this money, therefore, being thus limited for a certain number of workers ... it necessarily follows that the more workers there are the worse it will be for them ..."¹⁰⁶

and Bray continues,

"... But even admitting that the deficiency of money is the true cause of the non-employment of those most unwilling idlers ... now that the labourers are here (why not) increase the shovels to the wants of the workers (rather than) ... beat down the labourers to the level of shovels."¹⁰⁷

However, when one comes to an examination of Bray's chapter 10 "The Nature and Uses of Money" this apparent confusion is cleared up.

"The political economists ... divide capital into three kinds - into implements of labour, material on which labour is employed, and subsistence of labourers - the first being termed fixed capital, and the second and third reproducible capital. This definition and division altogether excludes gold, silver and bank notes; for it is evident ... that they have no necessary connection with real capital or wealth ..."

Thus money and capital, although often used as synonymous terms, are in themselves widely different: for money of every kind is ... no more than a representative of real capital ..."¹⁰⁸

106. Bray, J F, pl03

107. *ibid*, pl04

108. *ibid*, pl40

Nor is Lowenthal correct to claim that Bray ignores Ricardo's quantity theory of money.

"... it will be seen that it is not necessary that paper money should be payable in species to secure its value; it is only necessary that its quantity should be regulated according to the value of the metal which is declared to be the standard. If the standard were gold of a given weight and fineness, paper might be increased with every fall in the value of gold, or which is the same thing in its effects, with every rise in the price of goods." ¹⁰⁹

Bray disputes the necessity of the gold standard for a currency, but recognises clearly that, as Ricardo states above, the amount of circulating paper currency will fluctuate in response to the value of the circulating commodities (in inverse proportion i.e., the fewer goods the more money).

"It is not necessary that there should be gold, and that gold should be the foundation of paper. All that is requisite for the issuing of paper money, or any other medium of exchange, is that there should be actual produce of some kind to rest upon." ¹¹⁰

When Bray writes that,

"thousands are now idle and poor because no person can set them to work - simply because themselves and others are destitute of the requisite money." ¹¹¹

He is not confusing money with capital but making the

109. Ricardo, David, The Works and Correspondence of David Ricardo, Vol 1, ed. P. Scaffa, Cambridge University Press, 1951, p354

110. Bray, J F, pl41

111. *ibid*, pl45

perfectly legitimate point that money as the medium of exchange facilitates economic growth. He is making the same point that any Keynesian orientated politician in the post-war period would make in the face of under-utilization of existing capacity. This is exactly what Bray sees all round him and it is upon this principle assumption that his remedies rest. For in the very next sentence to the one quoted above Bray states;

"There is and there can be no other cause, so long as there is plenty of labour, an abundance of the raw material, a sufficiency of machines and implements, and a universal desire for the necessaries and luxuries of life." 112

If Bray's proposal for the workers to buy-out on credit the means of production is flawed it is not due to any misunderstanding concerning the role of money. It is probably this proposal that enabled his Labour movement critics to dismiss his remedy whilst accepting his analysis of the wrongs of labour. There can be no doubt that the reviewers were referring to this remedy and ignoring Bray's alternative scenario in accusing him of being a 'Visionary'. H J Carr has analysed the reviews in some detail both in the right and left wing press of the day though the rejections of Bray's remedy was universal the book was praised in part by every reviewer and,

"There is no trace in any of these reviews of anyone accusing Bray of being Utopian."¹¹³

However, Bray's advocacy of equal wages was not likely to endear him to the embattled craftsmen of his day and his suggestion that the trade of the countries associations be conducted or controlled by;

"local boards of trade comprised of the most able and business-like men that can be found ..."¹¹⁴

obviously needs a much clearer and detailed treatment before it can expect to receive serious consideration. Perhaps the biggest flaw in this proposal however, lies in the expectation that any capitalists would be willing to sell out to the workers in exchange for what for all practical purposes amounts to a pension for life and probably for their immediate heirs. They have no incentive to hand over power - they already have all the things the good life can give. Their capital gives them power and the satisfaction of exercising that power - of making their ideas become reality. How would the local boards prevent the capitalists re-investing their money elsewhere and competing with the socially owned manufacturers - or even establish a black market in capital goods? Nevertheless, perhaps Bray's strategy needed developing rather than scrapping.

113. Carr, H J, p405

114. Bray, J F, p157

7.4(ii) The redemption of labour through gradual accumulation and investment of small savings

Bray's second remedy was seen by him perhaps as not so much an alternative as a preliminary and at a latter stage complimentary strategy. If the former approach had struck his reviewers as too grandios and far fetched a proposal it may have been that this one was either lost sight of or else perceived to be impractical given the amounts of capital required and the obvious poverty of the working class. How can workers who can barely afford bread to eat save enough to establish joint stock associations one can almost hear his contemporary critics on the left complain. Bray certainly recognised the difficulties his scheme presented and in one section of his book almost appears to be agreeing with Ricardo that workers cannot possibly save.

"There are, besides, vast masses of workmen in a state of such abject poverty - and poverty, too, daily extending in its operation and intensity - that the accumulations of whole generations of them would advance but little the establishment of the system of community." ¹¹⁵

Nevertheless, Bray was encouraged by the accumulation achieved by some of the organisations of working men.

"But notwithstanding all these disadvantages, there are sufficient funds at this moment in the hands of various Benefit Societies ... trades unions ... quite adequate to the commencement of common-stock

institutions ... Thus it is evident that it is in the power of the working classes as a body ... by their own unaided endeavours - by the trifling subscription of even one penny per week - and when once fairly established, it would undermine the present system in all directions and bring it down in ruins ..." ¹¹⁶

Bray was however, sufficiently influenced by the Owenites to add;

"In addition to the power thus inherently possessed by the producers, there have at times been found, and there are as yet existing, wealthy capitalists willing to assist ...

... By the aid of a number of such individuals, common stock communities might be established ..." ¹¹⁷

Unfortunately, Bray never defines or elaborates what he means by either of the two terms used above;

"common-stock" or "commonstock communities". However, he has left a number of clues as to the concept he had in mind for these new forms of business organisation. It becomes obvious that Brays concept was a long way from the small artisanal self governing workshops of the Christian Socialists when he writes;

"The best exemplification of the power which man may wield by union of forces and division of labour is afforded by the working of a joint-stock company. These companies are usurping, in all directions the places and occupations hitherto confined to individual capitalists and traders ...

... The gigantic power of such companies is beheld in innumerable roads, railways and canals and in the creation and distribution of almost every description of wealth. It is

116. *ibid*, pl28

117. *ibid*, pl28

known that the power of these companies arises solely from the skilful application of capital and labour; and it is self-evident that the like application of capital and labour, under similar circumstances, will ever produce similar results." 118

That Bray has the model of a New Lanark and a clear appreciation of the shape of things to come in terms of the form and scale of industry is obvious from the above passages. He advocates association and co-operation between worker financed institutions as the means to overcome the economic vulnerability that their limited individual size might present. One feels that Bray, had he been in Leeds, when the Redemptionists attempted to establish their own community, might have warned against it at that stage when we read him claiming, with reference to the standard model Owenite community of a small farming and manufacturing establishment;

"... and it is well known that the majority of small farmers and manufacturers can barely make ends meet." 119

Bray argues against the self-governing self-supporting community;

"It will happen in every country, that while one part is favourable to the production of food, another will be better adapted to ... hardware ... pottery ... cloth (etc) ... and upon the judicious management of these advantages ... the various difficulties ... that stand in the way of the success of an

118. *ibid*, pp155-156

119. *ibid*, pp131-132

isolated community, can have no existence in
a system of communities." ¹²⁰

We have seen that Bray believed in specialisation and division of labour, he believed in professional management and the application of the latest technology. His starting point was not the rejection of these weapons in the hands of capital but their utilization by labour through common ownership of the investment funds to start-up such businesses. Bray clearly hoped, as we can see in the quotes above, that such productive power in the hands of the workers would be able to quickly add to the modest accumulations of trade unions and other benefit societies which were to provide the seed capital together with the small weekly subscriptions of millions of workers. Lowenthal criticises Bray for offering no explanation of why the workers would be induced to save in the first place. Such a question is unlikely to have occurred to Bray for in his experience as a worker on the tramp the desire for secure employment, shorter working hours, safe working conditions and the opportunity for education, culture and social security must have appeared inducements enough. Indeed the existence of the many Friendly Societies and Penny Banks in those times and these suggest he was right. Of course Lowenthal is referring not to the intermediate stage

120. *ibid*, p132

121. Lowenthal, Esther, p93 and p97

but the final stage when a communist society is established. To this point Bray might have replied that individual savings would have been replaced by taxation or deduction from the surplus generated by the common-stock institutions themselves, the levels of which would be subject to the democratic mandate of the people.

We have seen (Chapter 4) that the Redemptionists in Leeds took up Bray's penny per week subscription idea and in many respects their results were superior to those of the Owenites and the Christian Socialists, but whilst their journal advocates workers forming themselves into co-operatives, and clearly they recognised how important machinery was to the productive process, in the end the concept of the self-sufficient community on Owenite lines diverted their efforts and exhausted their resources. To be fair to them Bray does not lay out his alternative strategies very carefully or systematically. His book has no contents page and no index and his many fruitful and advanced ideas (for the times) are scattered in many different places in the book, but they are there. Bray did not have James Mill for an editor, unlike Ricardo, nor did he have personal wealth or a rich industrialist benefactor to support him during his researches, unlike Marx. Again unlike Marx and Ricardo, Bray did not have the benefit of a university education. Yet his book Labours Wrongs and Labours Remedies in many ways pre-empted Marx and challenged

Ricardo as did no other contemporary writer. Bray had to publish the book from his own resources and lost money as a result. He lacked the polish and the contacts and the support to present and develop his ideas let alone to pursue and advocate them. It may not be too great a supposition to add that he may have lacked the self-confidence to try once he met the stone wall of apparently polite but unanimous rejection of his first effort. Yet the rejection of the reviews relied on assertion not argument (see H J Carr reference 110 above). Only Esther Lowenthal (1912) and Marx himself have subjected Bray's work to serious criticism. Most of Lowenthal's critique has been examined above, her remaining points will be considered below. Marx's critique and relationship to Bray, Hodgskin and Thompson will be considered in the next chapter.

Lowenthal's remaining criticisms of Bray are not central to his analysis or critical to his strategies or remedies. They are as follows;

"1. Bray's analysis of the supply and demand explanation of wages is limp, he ignores changes in the rates of growth of either capital or labour or time periods.
(Lowenthal p900)

2. Bray fails to distinguish the difference between the utility of a whole class of labour with that of a particular workman.
(Lowenthal p920)

3. Bray assumes without proof that the total productivity of society can fund the social expenditure he advocates; insurance, education, etc. etc. (Lowenthal p99)"

Bray does not cost out his proposals but he does present figures of current and past war expenditure and other government expenditure in chapters 6 and 7 to suggest that even at current levels of productivity - and it must never be lost sight of that Bray assumes a massive increase in wealth generation through his proposals - the working class could be very adequately maintained. Bray clearly did recognise differences between work people but thought (see reference 88) that to pay people on the basis of these differences led to even greater injustice. With regard to criticism 2 above, Bray believed in the management function presumably to maintain constant and consistent standards of production so it does not seem a very important omission on Bray's part. In fact only a minority of wage payment systems are based on individual effort rather than a rate for the job in any event although the practice is more widespread for management and salesmen's remuneration.

Lowenthal's first criticism listed above is correct in so far as it goes. But Bray was not attempting to build a model examining the long and short term relationship between investment and employment. What Bray was concerned to do was to refute the notion that unemployment was in any sense a result of any such relationship in the first place. Unemployment existed because of the monopoly by one class of the means of production.

7.5 Summary

Lowenthal is to be congratulated for pioneering a serious consideration of these writers and for being the first person to point out how un-Ricardian these "Ricardian" Socialists in fact were. This part of her analysis has been ignored by later commentators such as Dobb.¹²² Cole calls these writers anti-Ricardian in his Socialist Thought The Forerunners, 1789-1850, Vol 1 (1853), but goes back to the label 'Ricardian Socialist' in his joint work with Filson (reference 1 above). Muriel Jolliffe actually challenges Lowenthal's suggestion by listing Bray's quotations from Ricardo.¹²³ But in fact none of these in any way are used by Bray as a basis for his analysis, and Jolliffe only finds Ricardo quoted on two pages (197 and 198) in Bray's entire 216 page book. In fact, Bray refers to Ricardian ideas as we have seen quite extensively in refutation of the 'glut of labour theory' as he calls it. Any careful reading of either Bray, Hodgskin or Thompson will support Lowenthal's statement that,

"... there is no evidence that the socialists were particularly impressed by his (Ricardo's) teachings ... there is nothing in the tone of

122. Dobb, M, Introduction, A Contribution to the Critiques of Political Economy by Karl Marx, Lawrence and Wishart, London, 1971, p13

123. Jolliffe, M F, "John Francis Bray" in International Review of Social History, Vol 4, E J Brill, Leiden, 1939, pp3-4

these authors or the form of their arguments
that points especially to Ricardo." ¹²⁴

The English Labour Economists produced an economic analysis based on moral propositions which they set as apriori standards with which to judge the workings of their contemporary economic system. Having found that system wanting they nevertheless looked for strategies that could lead to the redemption of labour on the basis, not of overthrowing the system, but through working within it and turning to labour's advantage the scale, technology, division of labour, and management that in the hands of capital had been ranged against the labourers' interests. In their proposed strategies for turning the tables on Capital they had more in common with the Robert Owen who managed New Lanark than with the governor of Queenswood. The record shows that their strategies were only partly understood by even a part of the movement. As for their analysis of the dynamics of technology and accumulation for the development of capital it took Karl Marx to recognise the implications of their analysis.

124. Lowenthal, Esther, p103

CHAPTER 8 - UTOPIAN VERSUS SCIENTIFIC
SOCIALISM IN THE DEVELOPMENT OF THE
POLITICAL ECONOMY OF WORKER CO-OPERATION

8.1 Introduction

In this chapter we shall discuss the contribution of the English Labour Economists to the development of Marx's own thought and works. This relationship has been extensively discussed by Hunt (77), King (83) and Henderson (85) and we shall refer to these authors' work at various points throughout the chapter. This will be followed by an appraisal of Marx's views on the co-operative movement of his day. We shall then identify those features of the English Labour Economists' analysis which diverge or are distinct from the works of Marx. The chapter will conclude with a statement of the relevance and distinctive contribution of Utopian Socialism which will suggest that, despite its almost total eclipse in favour of Scientific Socialism over the last one hundred and twenty five years or more, this strand of socialist thought is entitled to a serious reappraisal. Far from being superseded it will be argued that Utopian Socialist concepts have an important contribution to make to the contemporary problems facing British Labour.

8.2 The English Labour Economists and Karl Marx

The relationship between the writings of the English Labour Economists and Karl Marx has not been ignored in the academic literature but it remains generally under

rated. For example Esther Lowental sums up the relationship thus;

"There is no doubt that in the use of the labour theory of value as the foundation of socialism, Marx was anticipated. But ... while they (the English Labour Economists) ... make the uncritical assertion, Marx attempts to prove it, to trace it out ... They do not even see the difficulty, that is, of explaining why if labour creates all surplus value, profits accrue equally to the employer of much labour and the employer of much machinery ... Marx was moreover free of the Utopian characteristics we have pointed out in the systems of his predecessors."¹

More recently Pankhurst has made reference to the number of respected academic sources who acknowledge that some of Marx's ideas are to be found in the English Labour Economists' earlier writings. Pankhurst refers to the Webbs, G.D.H. Cole, Harold Laski and Schumpeter amongst others.² However, none of these writers appear to ever have considered whether after and contrary to Marx's analysis, there was to be found anything of substance still left in these earlier 'Utopian' writings.³ Marx's system of economic thought is presented as surpassing all that went before it.

"... there is no system of economic thought more logical than that of Marx..."⁴

1. Lowental, Esther, pp103-104

2. Pankhurst, R.K.P., p217

3. Schmpeter, J.A., Socialism, Capitalism and Democracy 1943, p308. Even recent writers such as Hunt (77), King (83) and Henderson (85) whose analyses have attempted to assert both the status of the English Labour Economists as scientific and as important forerunners to Marx fail to consider whether their writings have a serious relevance beyond the development of Marx's system.

4. Pankhurst, R.K.P., pp218-219, quoting from Thorstein Weblen, The Place of Science in Modern Civilization, 1932

If Marx has any real intellectual debt it is to Hegel that we are led to make acknowledgement.

"Marx's system ... lies within the frontiers of neo-Hegelianism"⁵

Yet in terms of political economy our analysis in chapter 7 has already pointed to the many ideas central to Marx's own theories, which were already to be found in the works of Hodgskin, Thompson and Bray, all written before 1839. Pankhurst, Thompson's biographer, is almost alone in his generation amongst those writing on this subject to be anxious to establish the link between his subject and Marx.

"Both writers adopt the labour theory of value ... Both consider exploitation the fundamental of Capitalism ... both look forward to a classless Communist society ... Marx's famous theory of the withering away of the State is also held by Thompson ..."⁶

Pankhurst, however, does less than justice to Marx by arguing that the greatest similarity between Marx and Thompson lies in their treatment of surplus value. For it is precisely here that Marx may justly claim to have made an original contribution to the development of socialist political economy, with his recognition (as he saw it in support of Ricardo against the English Labour Economists) that the labourer did indeed exchange at his value. Surplus value was not the result of inequality in exchange but arose in

5. *ibid*

6. *ibid* pp211-223

production as the result of what Engels claims to be Marx's discovery of the concept of labour power.

"The man who discovered the way out of this blind alley was Karl Marx.

What the economists had considered as the cost of production of labour was really the cost of production ... of the living labourer ... what this labourer sold to the capitalist was ... his labour power ..."⁷

It is to this discovery and to Marx's development of historical materialism, through which it has been claimed all human history can be explained, that Marx's reputation as the founder of Scientific Socialism mainly rests. Marx's grounding in Hegelian philosophy gave him a method of analysis and a framework for the model of the capitalist mode of production that he developed. This framework and the philosophical language in which it was expressed was very distinct from that of the English Labour Economists. The fact remains, however, that the content of Marx's system was in substantial measure drawn from the writing of Hodgskin, Thompson and Bray. King (83) shows that others such as Percy Ravenscroft, Thomas Edmonds and an anonymous pamphleteer of the period were also important sources for Marx's developing analysis of this time.⁸ Both Hunt (77) and Henderson (85) have argued that Hodgskin's influence on Marx related to the

7. Engels, Frederick "Introduction" (1891) in Wage, Labour and Capital Martin Lawrence Ltd, 1932, p10

8. King, J.E. op cit, pp345-346

"... former's definition of Capital and his analysis of productivity."⁹

In terms of Marx's total system, Henderson (85) has written

"... Marx was most strongly influenced by 'an English Communist, Mr. Bray'..."¹⁰

Henderson's analysis of the timing of Marx's reading of Bray makes a powerful case for Bray's pre-eminence here. Henderson claims that;

"Bray's analysis advances beyond the position Marx had developed in September 1845, in the sense that Bray had attempted a reapproachment of the materialist conception of history and the labour theory of value."¹¹

In Marx both the labour theory of value and the Materialist Conception of History received a much greater depth of analysis and a more sophisticated exposition. Further, Marx sought to identify the process inherent in Capitalism that would lead to ever deepening crisis within the system leading to its eventual demise.

The catalyst for the Marxian dialectic of class struggle was to be found in the growing contradiction between the advancing technical and social forces of production and the separation of ownership of these means of production which led through the capitalist

9. Hunt, E.K., op cit, p321

10. Henderson, J.P., "An English Communist, Mr. Bray (and) his remarkable work", in History of Political Economy, Vol. 17, No. 1, 1985, p93.

11. ibid p80

labour process to the ever increasing exploitation of labour. It is surely no detraction from Marx's intellectual achievement to give the English Labour Economists their due recognition as major theoreticians in the English and International Labour Movement. For their recognition of the significance of the separation of ownership in the relations of production is clearly found from even the most cursory reading of Hodgskin, Thomson and Bray. The importance of the developing technical forces of production and the social unity of labour through the division of labour is the very starting point in Hodgskin's analysis in Popular Political Economy, and is given prominence in Bray's discussion of the possibility of releasing a gigantic leap in the productivity of labour once private ownership of capital is dispensed with.

In the English Labour Economists' emphasis on the role of management and the importance of the applications of science in the process of production they showed perhaps a greater recognition of the role both management and technology was to play as weapons in Capital's struggle for increasing its rate of profit than did any other writer for a considerable time after their works fell from public attention, including possibly that of Marx himself. This 'gap' in Marx's analysis has become the focus of much recent discussion.

Contemporary Marxist literature, following Braverman (1974), has addressed the subject of the management of technology in the labour process. Hodgskin's comment referred to at note 27 and 30 in 7.2, and that of Bray at note 91 in 7.4 in the same chapter show that these writers were well aware of the ability of capital to dictate the pace of work. Indeed the discussion on machinery conducted in the Herald of Co-operation shows how far within less than a decade of the English Labour Economists, socialist understanding of the significance of technology had gone. The recent deskilling debate of the 1970s was anticipated by more than a century when Thomas Hole wrote;

"But skill and strength are as important elements in regulating the rate of wages, as even supply and demand. If skill and strength are needed, capital must pay for them; render them unnecessary, and wages will fall to the limit necessary to provide the weak and unskilled labourers."¹²

To return to Lowenthal's reference to the English Labour Economists' failure to work through the Labour Theory of Value in the systematic style of Marx.¹³ This criticism in fact misses the point. The English Labour Economists were not attempting to prove as Marx was the Ricardian principle that Labour inputs were the measure of value in exchange. For them such an assertion was

12. Hole, Thomas 'Machinery and Competition No. 2', in The Herald of Co-operation No. 7, Isle of Man, July 1974, p49

13. See ref.1 this Ch. Henderson demonstrates that Bray's analysis whilst incomplete in Marx's terms was rather more thoroughly formulated than Lowenthal's criticism allows.

not technically necessary for their critique which centred much more on the issue of the control of capital to prevent the exploitation of labour. Evidence of the labourers lack of control and its results was readily available in their own time and in chapter 9 we shall briefly examine this issue in the light of the contemporary structure and dynamic of capitalism. The "failure" of the English Labour Economists to address the Ricardian Theory of Value avoided what some would argue was an unnecessary diversion which still long after Marx's death remains the unresolved "transformation problem".¹⁴

Let us consider Marx's explanation that the common social substance in all commodities is Labour.

"I say not only Labour but Social Labour ... It must be the subordinate to the Division of Labour within society."¹⁵

Social Labour as a concept in Marx refers to his distinction between the Labour-time paid to each individual labourer for his labour and the power of that labour, which once exchanged for wages, was in the possession of the capitalist to generate as much surplus value as possible. Even here the English

14. See various articles in Capital and Class where the argument has raged between Neo-Ricardians and purists over Marx's value theory. The present writer has made a separate analysis of the transformation problem in Marx, see Davis, P., The Concept of Productivity in Neo-Classical and Marxist Economic Theory and its application to Retailing. Unpublished M.Phil thesis, University of Leicester 1980 pp71-85 deals with the debate concerning the transformation problem in Marx.

15. Marx, Karl Value, Price and Profit, Swan Sonnenschein and Co., London, 1898, ed. E. Marx, p43

Labour Economists were aware of this distinction before Marx (although they did not give it the prominence or direction that Marx did) and its recognition led them to refer to the Unity of Labour in production. The English Labour Economists did not develop the idea in the way Marx did because their agenda did not include the development of Ricardo's Theory of Value.

For Hodgskin and Bray the issues posed by Social Labour (Marx) or the Unity of Labour (Bray and others) related to the justification of wage differentials and the distribution of the product of the process of production at its conclusion.

Marx knew and studied these works prior to, or rather as a beginning to, his own researches. This can be shown both by the brief reference Marx makes to Hodgskin and Thompson in Capital, and in another work to Bray as well. Referring to Marx's early notebooks, Oakley, for example, notes with reference to Bray's Labour's Wrongs (1839).

"Marx had previously made a detailed study of this work in the winter of 1845-6 and recorded 146 excerpts from it in notebook XI of the Brussels series (MEGA 1/6 602)."¹⁶

Bray is indeed one English Labour Economist that Marx does quote at some length and even praises in his polemic against Proudhon - The Poverty of Philosophy (1847). In this very polemic work Marx attacks

16. Oakley, Allen, Marx's Critique of Political Economy. Intellectual Sources and Evolution, Vol. 1, 1844-1860, Routledge and Kegan Paul, London, 1984, p114.

Proudhon's style of exposition as much as his theories for despite the ferocity of Marx's attack it is clear from his very first quote (on page 1, chapter 1), of Proudhon's work that the latter had recognised, possibly ahead of Marx, the origin of exchange value. Proudhon's mistake was in positing that exchange value was determined by total direct and indirect labour-time, measured by the cost of labour (Smith), rather than by the amount of socially necessary labour-time embodied in the commodities. Here, Proudhon calls for goods to be exchanged at their values as the basis for reforming Capitalism when according to both Ricardo and Marx they already did exchange at their values - determined by labour. Marx quotes Bray and the other English Labour Economists as proof that Proudhon's idea was not new at all. In attacking Proudhon Marx produces several pages comprising of extracts from Bray's book, yet despite the many important ideas contained in these extracts Marx only makes reference to those parts which appear to confirm not only Bray's anticipation of Proudhon but his agreement with Proudhon, for example the passage where Bray states:

"From the very nature of labour and exchange, strict justice not only requires that all exchanges should be mutually, but that they should likewise be equally benefited. Men have only two things which they can exchange with each other, namely, labour and the produce of labour ... If a system of exchanges was acted upon, the value of all articles would be determined by the entire cost of production; and equal values should always exchange for equal values."¹⁷

17. Bray, J.F., Labour's Wrongs and Labour's Remedies p48, quoted by Marx, K., The Poverty of Philosophy (1847), Progress Publishers, Moscow, 1955, p62

Oakley notes that,

"The only apparently unequal exchange that concerned Marx was that between worker and capitalist. However, once the concept of labour as a commodity was more clearly defined as labour-power, this exchange would be explained as a partial one in the sense that the capitalist in effect only paid for part of the living labour time that he would extract from the worker. This element of exploitation thus became the source of the surplus, as Bray had intimated."¹⁸

In other words Bray was arguing that the unequal exchange existed, as Oakley implies above, in that the labourers labour power was paid for at less than its true value. It is far from the case that Bray was advocating reform on the basis of equal exchanges in any case. The quote above unites labour with exchange and when considered in the light of other statements by Bray on the subject a rather different emphasis becomes apparent in Bray's analysis.

"The whole transaction, therefore, plainly shows that the capitalists and proprietors do no more than give the working man, for his labour of one week, a part of the wealth which they obtained from him the week before - which amounts to giving him nothing for something -"¹⁹

Compare this with the following by Marx in a later work,

"... the capitalist will daily advance three shillings and daily pocket six shillings, one half of which will go to form wages a new, and the other half of which will form surplus value for which the capitalist pays no equivalent."²⁰

18. Oakley, Allen, pp116-117

19. Bray, J.F., p49

20. Marx, Karl, Value, Price and Profit, p61

Yet, despite Marx quoting from no less than twenty-four pages of Bray including the second Bray passage quoted above, Marx makes no real commentary on Bray's ideas except to link them to Proudhon. Oakley comments that;

"Whatever Marx may have developed from his reading of Bray in later work, at present he revealed no explicit awareness of Bray's crucial insights."²¹

In fact the argument, even on Marx's own terms, is far from clear cut. Marx's insistence that commodities do exchange at their value is dependent on free competition being operative. Yet the tendency to cartel and monopolistic pricing was noted by Adam Smith himself. Today the assumption of free competition is not to be found in any socialist economic analysis of modern capitalism, but it is doubtful if it existed as such even in 1847. Certainly Hodgskin's analysis of social price suggests that institutional rather than market forces was perceived by the English Labour Economist to play an important role in determining price and as such offers an additional means of increasing exploitation by reducing the real value of wages.

Given our discussion above and the evidence taken from the main texts of the three most prominent of the English Labour Economists in chapter 7 we can point to at least ten areas (it is not claimed that this is an exhaustive list) where Marx can be fairly said to have been anticipated to some degree by Hodgskin, Thompson and Bray.

21. Oakley, Allen, p117

1. Labour is the source of all exchange value.
(Hodgskin, Thompson, Bray)
2. The importance of private ownership by one class of the means of production and distribution.
(Hodgskin, Thompson, Bray)
3. The importance of the technical forces of production in shaping tasks and increasing the productivity and rate of exploitation of labour.
(Hodgskin and Bray)
4. The State as a means of class oppression.
(Hodgskin and Bray)
5. Communist Society and the withering away of the State. (Thompson)
6. The role of competition as a driving force in Capitalism. (Thompson)
7. The need for an integrated new social science.
(Thompson).
8. Fixed Capital is accumulated labour.
(Hodgskin, Thompson and Bray)
9. The concept of Social Labour. (Hodgskin and Bray)
10. The primacy of economic relations over political.
(Bray)

All of the above may, taken individually, be argued about in Marx's favour, in terms of Marx's sophistication in analysis and development of the given point. But even conceding that much, it is obvious that Marx's debt to the English Labour Economist was both enormous and largely unacknowledged. King (83) prefers three possible explanations for this lack of acknowledgement in Marx,

"Marx's antipathy towards the anarchists deep and sustained ... This antagonism may well have made him reluctant to give endorsement to writers like the Ricardian Socialists whose authority could equally be invoked by his anarchist opponents." 22

Alternatively, as the early socialist movement had all but vanished by the late 1850s far from ignoring these writings Marx, King argues, may have saved them from oblivion but in his published works Marx was forced to use,

"as a sounding board ... those earlier economists (Smith, Ricardo, etc.) with whom his readers were familiar." ²³

8.3 Karl Marx's evaluation of the Worker Co-operative Movement

Marx addressed himself to the issue of the validity of the strategy of worker co-operation on the occasion of his address in 1864 to the Working Men's International Association in London. Marx's speech had a major impact at the time on socialist and trade union opinion and for this reason we reproduce in full his analysis. Marx's comments below come immediately after his review of what he termed the 'solidarity of defeat' since 1848. He then went on to speak of 'two great facts' which compensated for these defeats. The first was the victory of the English working class in the agitation for a 10 hour working day, Marx then continued;

"But there was in store a still greater victory of the political economy of labour over the political economy of property. We speak of the co-operative movement, especially the co-operative factories raised by the unassisted efforts of a few bold 'hands'. The value of these great social experiments cannot be over-rated. By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the existence of a class of masters employing a class of hands; that

to bear fruit, the means of labour need not be monopolised as a means of dominion over, and extortion against, the labouring man himself ...

In England, the seeds of the co-operative system were sown by Robert Owen; the working man's experiments, tried on the Continent, were, in fact, the practical upshot of the theories, not invented, but loudly proclaimed in 1848.

At the same time, the experience of the period from 1848 to 1864 has proved beyond doubt that however excellent in principle and however useful in practice, co-operative labour, if kept within the narrow circle of the casual efforts of private workmen, will never be able to arrest the growth in geometrical progression of monopoly, to free the paines, nor even to perceptibly lighten the burden of their miseries. It is perhaps for this very reason that plausible noblemen, philanthropic middle class spouters and even keen political economists, have all at once turned nauseously complimentary to the very co-operative labour system they had vainly tried to nip in the bud by deriding it as the Utopia of the dreamer, or stigmatising it as the sacrilege of the Socialist. To save the industrious masses, co-operative labour ought to be developed to national dimensions, and consequently, to be fastened by national means."²⁴

In this analysis it cannot be said that Marx diverged from the view of Bray or that of Neal. Robert Owen himself had pioneered the idea of a national movement through the Congresses of the 1830s, the Grand National Consolidated Trades Union and Labour Bazaars. The Redemptionist and even the Christian Socialists had recognised the need to establish large scale production, although only the Redemptionists sought

24. Marx, K., "Inaugural Address of the Working Men's International Association", 28.9.1864, in Documents of the first International 1864-1866, Lawrence and Wishart, London 1964, pp284-286

to develop a strategy, through small savings, for mobilising the finance to allow such undertakings to succeed. These two organisations had failed because they had not recognised that whilst it is possible to start small and grow large in a growing sector of the economy you cannot start small and survive let alone grow in a declining or static sector of the economy against larger established rivals. Marx gives two clear warnings in the above passage. Firstly, he is saying that small scale worker co-operatives cannot grow and supplant established capitalist corporations. Secondly, Marx notes that small scale co-operation is open to political and economic manipulation directed at diverting rather than facilitating the class struggle.

In his analysis Marx draws an interesting comparison between the growth rates of small co-operatives and large capitalist combines. The latter's growth being described as geometric. Marx appears to be agreeing with Buchez that once a market or sector has been developed by capitalism co-operatives will be unable to establish themselves.²⁵ Having made the call for a national productive co-operative movement Marx makes no further suggestion as to how such a movement is to be established. This is surprising as Henderson claims that Bray's analysis of small savings was largely accepted by Marx.

25. *ibid* p284-286. For a statement of Buchez's theory see Lambert, P., Studies in Social Philosophy of Co-operation, Co-op Union Ltd., 1963, pp288-289, quote Buchez's writing on this point.

"Thus does Marx's commentary on savings banks in 'Wages' match Bray's earlier statements."²⁶

Henderson's extensive quotation from Marx's analysis of working class savings,

"... contends that ... such savings benefit only the bourgeoisie."²⁷

Marx in his analysis of savings ignores any comment on the Thompson/Bray small savings proposals. In view of the thorough examination of Bray's book undertaken by Marx it is hardly credible to believe he missed this part of Bray's discourse. One explanation may be that Bray's strategy implied a possible contradiction to Marx's analysis of how the capitalist system would be transformed as a result of deepening crisis. Marx may have perceived in Bray's strategy a process that could by mitigating capitalism's inability to employ workers productively, actually prolong the system's lifespan. Alternatively we may consider, with King, that this part of Bray's analysis appeared too like the anarchist strategies for Marx to want to be associated with it.

It may be worth in passing to note that both the leading theoretician of the left (Marx) and right (Potter, later Webb) within the Labour Movement rejected the worker co-operative strategy of their day. They also ignored the alternative advocated by the English Labour Economists. Here may lie an important component towards the explanation of the

26. Henderson, J.P., op cit p90

27. ibid see footnote 2 on p91

total neglect of Worker Co-operation by the Organised Labour Movement right up until very recent times.

8.4 The essential differences between the English Labour Economists and Marx

The most crucial difference between the English Labour Economists and Marx is that contrary to their being labelled as 'visionary' and 'utopian' the former were very concerned with the economic and institutional means which were to replace the existing capitalist markets and the business organisations that operated within them. Marx relies on the internal contradiction of capitalism, with his prediction of increasing impoverishment and polarisation of society, to bring about the transformation to socialism. He ignores the brutalisation such a collapse must inevitably produce. Marx does not recognise that there is no logical connection leading automatically from the collapse of capitalism to the institutions of socialism. Lenin attempted to adopt Marx's analysis of capitalism and graft onto it the idea of the dictatorship of the proletariat as the mechanism for transition from Capitalism to Communism? The Trotskite writer George Novack insists like Marx and Lenin that;

"The road to a harmonious and classless society has to pass through the gate of world socialist revolution in order to eliminate the root causes of conflict between one part of humankind and another."²⁸

28. Novack, George, Humanism and Socialism, Pathfinder Press, New York, 1973, p125

But Novack is forced to recognise that whilst passing through the gate an awful lot can go wrong for the working class. This raises the uncomfortable question of whether the result justified the earlier sacrifices.

"Since the rise of Stalinism, Marxism has added another proposition. It teaches that the workers have not thrown the capitalists off their backs so that any new masters in the shape of insolent bureaucrats can take their place."²⁹

This danger was clearly anticipated by Thompson. in the end Marx and Engels believed in what Meek has referred to as the Economic Machine.³⁰ Meek's forecast that economics in the future will not presuppose any automatic mechanism in the economy was precisely the view implicit in the Utopian Socialist analysis of the English Labour Economists. They recognised and allowed for in their strategies the contingent nature of human action. Bray in particular faces up to the problem human nature presents for the liberation of labour. Bray goes on;

"To the causes of failure arising from insufficient funds, must be added those causes dependant on the parties who attempted the change."³¹

Bray's solution to the problem is to call for gradual change which makes allowances for human nature. Bray, like Marx, sees the importance of society and culture in shaping human nature. The activity and socialisation

29. *ibid* p125

30. Meek, Ronald, L., Smith, Marx and after, Chapman and Hall, London, 1977, pp176-188

31. Bray, J.F., p130

inherent in such change may be likened to 'revolutionary practice' in the Marxian context.³² But it is precisely here that the similarities cease. Marx is unwilling to recognise the existence of individuals responding differently to the same environment. Bray on the other hand not only recognises individual differences but makes their existence the basis for the requisite leadership to emerge in order that revolutionary practice may be defined and organised. Marx never explains how revolutionary practice, i.e. the organisation of insurrection, trade unions, communist parties, etc., prepares people for a socialist society. The development of bureaucratic elites in all the institutions of labour the world over and the impact they have on the objectives of those institutions (Michells 1962) suggests that revolutionary practice fails to achieve, precisely as Bray suggested, by asking too much of its adherents. Bray wrote;

"... no enterprise can be regarded as secure of accomplishment, if it depends for success on the self-denial of masses of people ..."³³

The question of human nature has always posed a problem for Marxist theory. To the question of what is the determining variable in the relationship between the individual and society Marxist writers from Marx onwards have found in favour of society.

32. Marx, Karl, Selected Writings in Sociology and Social Philosophy, ed. by Bottomore, T.B. and Rubel, M., Penguin Books, London, 1975, p83

33. Bray, J.F., p135

"But the essence of man is no abstraction inherent in each single individual. In its reality it is the ensemble of all social relations."³⁴

The Marxist writer and philosopher Norman Geras is at pains to try to establish that Marx did not reject the notion of human nature. However, we are left with a very weak and indirect definition of what a Marxist concept of human nature amounts to given the clear view of Man as the product of the material conditions that surround them;

"The nature of individuals thus depends on the material conditions which determine their production."³⁵

Geras responds to this with the following attempted reconciliation;

"Since human nature is the true community of men, by manifesting their nature men create, produce, the human community, the social entity, which is no abstract universal power opposed to the single individual, but is the essential nature of each individual, his own activity, his own life, his own spirit, his own wealth."³⁶

But does Geras really achieve the reconciliation he seeks in this passage? How does the claim that 'human nature is the true community of men' give space for the 'single individual' nature. The role of the individual is left as problematical as ever by this proposition.

34. Geras, Norman, Marx and Human Nature Refutation of a Legend, N.L.B., London, 1983, p39, quoting from Marx, K., Thesis on Feurbach

35. Marx, Karl, Writings of the young Marx on Philosophy and Society, ed. and trans. Easton L.D. and Guddat, K.H., Doubleday Anchor Books, New York 1967, p409.

36. Geras Norman, p76

The essentially contingent nature of choice in actions which resides in every individual (whilst the range of choices are not infinite) provides for such a range of options that it becomes nonsensical to talk of the inevitability of revolution or socialist society or to attempt to reduce human actions and consciousness to external factors alone.

As stated earlier, Bray recognised the individuality and variety within human nature. Bray sees in this a constraint that can be overcome providing time and sufficient consideration to the satisfaction of short-term needs is provided for. The Christian Socialists believed, though there is no evidence of their giving this belief any practical expression, that Christian religious observance provided a spiritual discipline and practice that combined to the working of the Holy Spirit wrought the interior change that leads a person to change their external social and economic relationships. All the English Labour Economists placed great emphasis on education both moral and technical in their programmes for radical change.

The crucial difference between Utopian and Scientific Socialism rests with the fact that in the latter Socialism is the result of a mechanistic inevitability which in the former is the result of the critical faculty of individuals moving from criticising a given social order to the development of a vision of a more perfect state of society with proposals for how to turn that vision into reality. Scientific socialism

concentrates on the criticism of the existing order to the point of searching that order for the mechanism by which it changes itself. Utopian Socialism moves quickly (possibly too quickly) from criticism of the old to the vision of objectives and the means for attaining them. The former concentrates on diagnosis the latter on prescription. If the results of Utopian Socialism have been limited and strewn with failure that may be explained by the fact that its project is itself much the tougher of the two projects. Measured by results achieved, the Marxian analysis of internal crisis leading to collapse, the case remains "not proven". In chapter 9 we shall examine what strategies capitalism has evolved to head off the danger of polarisation and instability. We shall argue that whatever may have appeared possible when Marx wrote Capital, today there is nothing at all inevitable about capitalism's demise.

8.5 Conclusion

The centrepiece of the English Labour Economists proposal for the superceding of capitalism is not the amount of surplus value that accrues to capital but the amount of potential wealth creating capacity that does not accrue to capital but remains at the disposal of the working class in terms of Friendly Society funds, Trade Union funds and families' disposable income. These funds spent to employ the unemployed wasted labour (itself helping to depress wages) becomes the source for creating further socially

owned capital and the means by which labour could generate the resources to employ itself and break the monopoly which the capitalist class held over the ownership of the means of production and distribution.

Today, a century and a half after Bray wrote Labour's Wrongs, the English Labour Economists' strategy remains the only alternative to either outright political expropriation or Keynesian style government intervention to prevent social injustice going too far. The English Labour Economists' Utopian Socialism offers a radical alternative to the traditional opposition to unfettered capitalism offered by both the Marxist and the Social Democrat. Producer co-operation provides a potential strategy for the gradual, peaceful liberation of labour from capital which instead of relying on some distant collapse of capitalism presents to the world a positive alternative with benefits already there to be seen and experienced. Marxists have derided the idea of islands of socialism in a sea of capitalism, many don't even accept socialism in one country! But did capitalist organisations only emerge once feudalism had collapsed? Were not the Chartered Cities and the Guilds precisely islands of capitalism in a sea of Feudalism?

To conclude, this chapter has sought to demonstrate not only the contribution to the Marxian analysis made by the English Labour Economists but also the distinctive elements in their analysis which have been subsequently ignored, even by sympathetic commentators such as Hunt (77),

King (83) and Henderson (86). That a strategy which espoused non-violent voluntary association in co-operatives, emphasising financial and market strategies rather than expropriation and governmental controls, should have made so little impact on working class opinion may owe more to the rise of collective bargaining and welfare economics than to the effectiveness of the Marxian socialist theories to their left. These twin strategies which between them have dominated working class thinking up to our own times have begun to falter in the face of more market oriented radical neo-classical economic policy responses to the current recession. Today we may need a reassessment of the Utopian Socialist option. In the light of the analysis in the next section we shall reconsider and reformulate Bray's two strategies for developing worker co-operation as a route for the redemption of labour in chapter 11.

PART FOUR: THE CONTEMPORARY ECONOMY AND THE NEW
WAVE OF WORKER CO-OPERATIVES

CHAPTER 9 - THE STRUCTURE AND DYNAMIC
OF THE MODERN ECONOMY

9.1 Introduction

This chapter aims to describe in broad outline the nature of the modern capitalist economy in terms of its industrial structure. In order to develop such a description we shall have to examine the relationship between large and small scale business organisations as they have developed in the century since Marx wrote Capital and particularly in the post-war period. The framework we shall adopt here is borrowed from Robert T. Averitt, The Dual Economy (1968). We shall go on to examine the development of the capitalist labour process and its impact on the shape and content of the labour market. Our starting point and broad conceptual framework for this part of our inquiry, is drawn from the work by Harry Braverman, Labour and Monopoly Capital, (1974).

The necessity for such an analysis at this point is two-fold. Firstly, it will provide an empirical updating and interrogation of the theories we examined in part 3. In terms of updating it will also indicate the changes that differentiate our own context for the development of worker co-operatives from that of the earlier developments examined in chapters 3, 4 and 5. Secondly, a description of the shape of the modern economy will provide a sound basis from which to conduct

our analysis of the contemporary worker co-operative movement and the relevance of their current development strategies to the solution of the question posed by our thesis (see sec. 1.1 in chapter 1).

Worker co-operatives as we shall demonstrate in chapter 10 are very small business indeed. Their potential to develop within the existing capitalist economy is a question of fundamental significance.

In close association to this question is whether enough social capital exists in order to realise Bray's and Thompson's dream of worker-generated small savings financing large scale worker associations.

The modern "Marxist" view of worker co-operatives would probably concur with the opinion expressed by John Palmer, the Director of the Greater London Enterprise Board.

"Put bluntly, the co-operatives and other new social enterprises need national and local state structures who use their resources, their legal powers and their purchasing power to support them."¹

The inference is clear; worker co-operatives, as Marx stated back in 1864, cannot independently defeat capitalism. The emphasis is on political not on economic means. Such a strategy, however, is likely to create a co-operative movement dependent on a government bureaucracy as in much of the third world. The vulnerability and limitations of action through local authorities has been demonstrated by the

1. Palmer, John, 'How the worker co-ops could deliver the goods'. The Guardian, London, 26.11.85

destruction of the metropolitan authorities. Smaller units of local government have been left to play a supporting role but their overall resources and procurement capability is limited. The issues posed by central and local government involvement in co-operative development will be examined in chapter 10.

9.2 Industrial Concentration - Problems of definition and measurement

It may be said that concern about the impact of the giant corporation was first voiced, as far as mainstream economics is concerned, by Marshall in the first edition of his Principles of Economics, (1890 e.g. p376).

By 1910 Marshall had become convinced that the scales had become decisively tipped in favour of the giant corporation.² In the 1930s economic theorists, Joan Robinson The Economics of Imperfect Competition (1936), and E. H. Chamberlain The Theory of Monopolistic Competition (1938), developed theories of imperfect competition. The proposition was that market imperfections could lead to patterns of behaviour by individual firms which had previously been associated only with the extreme case of monopoly.

In this case the excess profits are due to the protected position of the firms, and they do not fulfill the economic function of inducing increased investment in

2. Hannah, L. and Kay, J.A. Concentration in Modern Industry, Macmillan, London; 1977, p2

the industry from new firms.³ Against these criticisms it has been argued that concentration is required in order to realise greater economies of scale and to stimulate technological innovation.⁴

Two types of concentration are generally referred to; market concentration and overall concentration. In the former we examine the proportion of output or sales within a given industry attributable to a given number of firms. In the latter the same calculation is made for the whole industrial, or commercial sector of the economy. Another measure is to take the total assets of a given number of firms as a proportion of total assets in the economy of a given industrial sector. A third measure can take employment and a fourth refers to value-added. Sales figures are based on total receipts whereas value-added is arrived at by calculating the difference between the sales figure and the costs of raw materials, fuel, power, and fixed and variable capital costs.⁵ The most widely used measure of concentration, called the concentration ratio, is composed of a simple ratio of the proportion of total output by the largest three to eight firms within a given sector or for the company as a whole (usually the top 10 firms in the latter case). The ratio is not, however, a summary measure based on the

3. Utton, M.A. Industrial Concentration, Penguin, London, 1970, pp13-15

4. *ibid*, p16

5. *ibid*, p35 and p41

entire size distribution of firms in the industry, nor does it even give relative sizes of the largest three firms. Two industries, for example, may both have three-firm output concentration ratios of 80%, but in one case the largest firm may only account for 30% of the total.⁶

For the purposes of the analysis conducted in the remainder of this chapter it is reassuring perhaps to be reminded that however we respond to the problems of selecting appropriate measures of industrial concentration;

"It is an empirical fact that it rarely matters how we answer them. The overall pattern of concentration and its trends are much the same however we choose to measure them."⁷

9.3 The reasons for industrial concentration - orthodox and Marxist explanations

Orthodox economics tends to list various factors as contributing in an ad hoc way to increased industrial concentration.⁸ Marx, in contrast, whilst not denying those specific and particular factors, attempts to locate in the competitive process a need to constantly increase the rate of extraction of surplus value as the real motive force explaining the tendency to increasing concentration in the capitalist economy.

6. *ibid*, pp42-45

7. Hannah and Kay, *op cit*, p41

8. Bannock, G., The Juggernauts, Penguin, London, 1973, p106

Among the important factors leading to increased industrial concentration are the economies of large scale plant giving greater scope for division of labour. This allows for the introduction of specialised machines cutting down the amount of labour required and yet increasing output. Also the indivisible nature of some of the factors of production such as plant and machinery means that cost is at a minimum if capacity per time period is high. The size factor comes in when more than one process is involved i.e., Stage 1) Machines = 300 units per hour, Stage 2) Machines = 500 units per hour. Optimum size is a factory with 5 stage 1 machines and 3 stage 2 machines producing 1500 units per hour. However, the size of optimum plant depends on the size of the market, i.e. it could be 10 stage 1 machines and 6 stage 2 machines = 3000 units per hour. In industries where diseconomies of plant do not lead to sharp rises in average costs, the smaller firms operating at less than optimum scale may not have to operate at a very serious cost disadvantage. It is also the case that in some industries it is possible that average costs can remain constant over a considerable range of output once the minimum-cost output level has been reached.⁹

9. Utton, M A. op cit, pp19-33

A series of minimum efficient sizes (MES) as this case is known have been worked out for a variety of UK manufacturer's sectors (Pratten 1971).

Pratten defines MES as,

"the minimum scale above which any possible subsequent doubling in scale would reduce total average unit costs by less than 5% and above which any possible subsequent doubling in scale would reduce value added per unit (total costs less the cost of bought out materials, services and components) by less than 10%" ¹⁰

The economics of the large multi-plant firm can lead to reduced costs in a wide range of areas, for example, in centralised technical and management services and sales promotion costs. Also the size of the firm's purchasing requirement can induce suppliers to offer very competitive prices. These advantages are hard to assess in practice because the necessary data is largely un-available. Pratten also makes the point that in reality the MES is hard to calculate because,

"In practice the 'minimum efficient size' of units depends on other factors besides the costs of production etc. These factors include the size of other firms in the industry and the extent to which there are market imperfections."¹¹

Management strategies also differ, which at industry level can cause further difficulties in estimating MES.¹²

¹⁰ Pratten, C.F., Economies of Scale in Manufacturer's Industry, University of Cambridge, Dept. of Applied Economics, Occasional Paper 28, CUP, London, 1971, p26.

11. *ibid*, p27

12. *ibid*, p26

Averitt (1986) has claimed that the core (large and dominant firms have to maintain themselves at the frontiers of technology in order to diversify out of declining or stagnant markets into new growth areas.¹³

Utton, however, concludes that there is little positive evidence to support an all embracing hypothesis of a systematic correlation between high concentration and rapid technical progress.

Prais (1981) makes the point that although,

"... larger optimum plant sizes have been responsible for increased concentration in particular sectors of industry ... on the whole one cannot ascribe to technological factors ... the process (of industrial concentration) ..."¹⁴

Rather it is due to the growth of larger numbers of plants being owned by fewer firms.

Although commonly considered to be in the forefront of technological advance as a factor significant in explaining their success, Nakase (1981) has argued that it is not innovation but refinement of existing ideas that had been a Japanese strength in their manufacturing export drive.¹⁵ However, Utton does accept the negative conclusion that;

13. Averitt, R.T., The Dual Economy. The Dynamics of American Industrial Structure, Norton and Company Inc., New York, 1968, p15

14. Prais, S.J., The Evolution of Giant Firms in Britain, NIESR, CUP, London, 1981, p165

15. Nakase, T., "Some characteristics of Japanese-type Multinational Enterprises Today", Capital and Class, No. 13, London, Spring 1981, p74

"... for industries with very low levels of concentration ... interest in research had been slight and technical advance slow."¹⁶

Orthodox economics comes closer, perhaps, to Marx's emphasis on competitive pressures with its identification of market dominance as preventing new competitors entering the market without accepting what will be for all but the largest corporations truly prohibitive costs. The urge to control markets and generate greater security and higher profits is clearly a powerful inducement towards oligopoly. Marx emphasises competitive pressures and the development of financial institutions which enable small units of capital to be gathered up and invested in large joint-stock concerns. Marx also appears to allude to the distinction between the insecurity of the small firm sector and that of the mature corporation - a concept central in the modern analysis of the dual economy.¹⁷

We should, perhaps, pause here with Marx's explanation to note that in the race for corporate growth and insulation from market forces, acquisitions and mergers provide the fastest route forward.

"American Motors (no.131) would have to more than double its sales revenue every year for five years to reach General Motors' present turnover in the No.1 position. The only way this could have been done is by merger."¹⁸

16. Utton, M.A., op cit, p28

17. Marx, K., Capital, Lawrence and Wishart Ltd., London, 1966, p626

18. Bannock, G., op cit, p46

Thus,

"All comprehensive business school courses have sessions on growth through planned acquisitions..."¹⁹

Whilst all firms' acquisitions policies have their own specific policy objectives dependent on their current structure, product port-folio and market position, nevertheless,

"... generally they are prompted by a desire for stability, higher profits and growth."²⁰

9.4 The growth in industrial concentration

The merger boom of the 1960s gave further impetus to the academic study of the growth in industrial concentration. Kefauver (1965), Baran and Sweezy (1966), Utton (1970), Bannock (1970), Tugendhat (1971) and Holland (1975) are just a sample of the prominent, academic, political and civil service figures to have written on this subject. All these writers agree that there has been an uneven but continuous and at times dramatic increase in industrial concentration since the nineteenth century. Hannah and Kay (1977) have given a useful summary of this growth in industrial concentration for both the UK and the USA.²¹

19. *ibid*, p100

20. 'Corporate Strategy in Mature Markets', Advanced Management, Programme International, Harvard Business School, Swansea, 1980, p3

21. Hannah and Kay, *op cit*, pp2-3

Within the United Kingdom by the early 1960s Utton reports that the largest one hundred firms held 62% of all the assets of publicly quoted companies.²²

Whether one is examining levels of industrial concentration in overall terms or on a trade and industry basis the trend is the same.

"For 63 comparable industries, the share of the five largest in total sales increased in 40 ... between 1951 and 1963."²³

However, Bannock considers the level of overall concentration to be a better real measure because often large corporations going into new industries can give that sector's figures the appearance of increased competition. Bannock also argues, that the figures for overall concentration are understated as the top one hundred companies do not have to consolidate into their accounts companies in which they hold less than a 51% stake in the equity, despite the fact that they often are able to exercise real control on much smaller stakes.²⁴ However understated the position of the top one hundred companies is formidable within the United Kingdom economy.²⁵

The increase in overall concentration has meant the emergence of the conglomerate corporation operating across national boundaries. Holland (1975) records

22. Utton, M.A., op cit, p88

23. Bannock, G., op cit, p35

24. ibid p39

25. ibid pp38-39

that in 1950 Britain had twenty three home-based multinationals. By 1960 this number had grown to thirty and by 1970 to fifty home-based companies operating at six overseas subsidiaries.²⁶

9.5 The consequences of the rise of the giant corporation

The consequence of company merger and disinvestment policies can be dramatic.

"... it has been estimated by Professor John Dunning that in 1914 ninety per cent of all international capital movements took the form of portfolio investments by individuals and financial institutions, whereas today seventy five per cent of the capital outflows of the leading industrialised nations are in the form of direct investment by companies."²⁷

Some of the employment consequences of these outflows have been analysed by the Labour Research Department. They showed that across a range of sectors including Electronics, Engineers, Food, Textiles, Printing and Paper, etc., the dominant companies ranging from 2 for Textiles and 12 for Engineering had between 1979 and 1982 reduced their overall level of UK employment by over 300,000 people. At the same time their overseas workforce had risen by 41% to over 800,000 or almost two-thirds of the size of their UK workforce.²⁸

The dominance of the giant corporations and their comparatively unassailable position was demonstrated

26. Holland, S., The Socialist Challenge, Quartet Books, London, 1975, p51

27. Tugendhat, C., The Multinationals, Penguin, London, 1971, p38

28. 'Multinational and Manufacturing Employment', Labour Research, London, April 1983, p125

early in the 1930s by Berle and Means in The Modern Corporation and Private Property (1932). The modern giant corporation has outgrown the old model of Marshall based on Social Darwinism and now appears to be on the point of achieving immortality.²⁹

It is not the case as Marshall had originally believed that the younger smaller firms' improved economic performance would enable them to outstrip their bigger rivals. On the contrary, improved performance makes the smaller rival an even more inviting acquisition.³⁰

What are the consequences of the rise of the giant corporations for the economy? Utton,³¹ Kefauver,³² Tugendhat,³³ and Bannock all consider that the likelihood is that growth through mergers is undesirable from the standpoint of economic efficiency.

"It is difficult to think of any of the major problems now confronting the economy - unemployment, worsening labour relations, declining job satisfaction, inflation, structural decay and inflexibility, declining standards of quality and choice - which would not be eased by the vigorous growth of large numbers of small and medium-sized firms and the corresponding contraction of the area of the economy dominated by large companies." ³⁴

29. Bannock, G., op cit, p43

30. ibid p120

31. Utton, M.A., op cit, pp123-124

32. Kefauver, E., In a few hands, Penguin, London, 1965, p203

33. Tugendhat, C., op cit, p263

34. Bannock, G., op cit, pp287-286

In the above quotation by Bannock is to be found precisely the question that is the central concern in this thesis. Bannock believes that economic efficiency and welfare would be best served if the market share and number of small firms could be increased at the expense of large firms. If this were possible then the door would be open for the growth of worker co-operative businesses. However, can such a development occur with so many resources in the hands of the giant corporations?

Another major consequence, that has already been touched on above, of the growth of the giant corporation is that orthodox market theories, based on assumptions of perfect competition, have been undermined, presenting real problems for economic theory as it was developed by Jevons and successive modern economists in the neo-classical tradition. However, they offer just as serious complications for the earlier Ricardian Classical Economic analysis and the later work of Marx and Marxists like Baran and Sweezy. Those who argue that capitalism will be destroyed by a realisation crisis brought about by underconsumption and overproduction, have to face the fact that the conglomerate business is now virtually impregnable to everything bar a total world economic collapse.

Baran and Sweezy argue that war has been a significant factor in preventing capitalism from being faced with a major crisis through its failure to absorb its own

surplus product.³⁵

The weakness of the surplus absorption approach adopted by Baran and Sweezy lies in the fact that the surplus can always be wasted or not created in the first place. War is only one major means of using up people and fixed capital and enables vast profits to be made.³⁶ Advertising and the creation of products for which demand is created are both, as Baran and Sweezy acknowledge, means of absorbing surplus product.³⁷

However, the evidence Baran and Sweezy assemble, in relation to underutilisation of capital and labour, supports the claim made over a century earlier by Bray that the potential exists with the existing means of production and resources to so increase the levels of production as to radically increase people's welfare, housing and education, whilst reducing the hours of a man's labour.

35. Baran, P.A. and Sweezy, P.M., Monopoly Capital, Penguin, London, 1966, p215

36. *ibid* Chs 5 & 6

37. *ibid* Ch 7

TABLE 9.1

Capacity Utilization, 1920-1939

1920	94	1930	66
1921	65	1931	53
1922	80	1932	42
1923	94	1933	52
1924	84	1934	58
1925	91	1935	68
1926	89	1936	80
1927	83	1937	83
1928	82	1938	60
1929	83	1939	72

Source: Donald Streever, Capacity Utilization and Business Investment, University of Illinois Bulletin, Volume 57, No. 55, March 1960, p64. ³⁸

Baran and Sweezy's commentary on the implications of these figures, and more importantly from Bray's standpoint, the actual increases in production achieved under the impetus of war, clearly supports one of the English Labour Economists' principle criticisms of capitalism - its wastefulness.

"Even these figures, striking though they are, fail to convey the true depth of the stagnation of the '30s. The figures tell us that in 1939, as the decade came to an end, nearly a fifth of the country's labour force and over a quarter of its productive capacity were idle. From this, one would tend to conclude that output could not have been increased by much more than, say, a third even if additional workers were drawn into the labour force and capital equipment worked with more than normal intensity. And yet during the next few years, under the impact of war and with the inherent restraints of the capitalist market temporarily removed, industrial production more than doubled and real Gross National Product went up by more

38. *ibid* compiled from Tables 11 and 12, p232 and p237.

than two-thirds. Moreover, these increases occurred during a period when virtually no net investment was taking place and more than eleven million men in the most productive age groups were being mobilized into the armed forces."³⁹

In theory at least, had America's working classes purchased the assets of the American economy from the capitalists as Bray advocated, they had the productive potential to pay off the debt.

9.6 The Dual Economy model of Averitt

At the heart of Averitt's analysis of the characteristics of the dual economy lie three concepts. By far the most important is the distinction between centre firms or core firms and periphery or secondary firms. The core firm as Averitt describes it is identical to the giant corporation whose growth and importance we discussed above.

"The centre firm is large in economic size as measured by number of employees, total assets, and yearly sales. It tends toward vertical integration (through ownership or informal control), geographic dispersion (national and international), product diversification, and managerial decentralisation. Centre firms excel in managerial and technical talent; their financial resources are abundant. Their cash flows are large, particularly during prosperity; their credit ratings are excellent. Centre managements combine a long-run with a short-run perspective. Short-run considerations are entertained at the lower levels of the managerial hierarchy, while long-run planning is the pre-requisite of top management. Their markets are commonly concentrated. Taken together, centre firms make up the centre economy."⁴⁰

39. *ibid* p237

40. Averitt, R.T., *op cit*, pp1-2

The peripheral or secondary firm is sub-divided into three distinct types. Firstly, the "Loyal Opposition Firms" are in direct but unequal competition with the core firms (scale of marketing, production and finance). They are characterised by restricted markets, technical inferiority of equipment, shorter life span and are essentially price takers.

Secondly, the "Satellite Firms" are largely sub-contractors. They manufacture systems and subsystems for sale, under contract to a single firm. The satellite firm provides a number of benefits for the core firm:- Flexibility, Capital Savings and Transfer of Risk. Thus the problems of excess capacity in the economy in times of recession can be minimised by the use of subcontracting in times of expansion. Fluctuations in demand will wherever possible be exported to the periphery by means of backward and forward satellite firms.

The third class of peripheral firms Averitt identified as Free Agent Firms. These tend to operate on the fringes of processing, filling the areas where core firms cannot or do not wish to compete. These firms are characterised by small batch production - one offs, and small discontinuous process production type operations. They usually demand a highly developed workforce with flexibility a high priority.⁴¹

41. *ibid* p65

That these particular subdivisions have proved analytically useful may find corroboration in the fact that the Boulton Committee of Inquiry on Small Firms (1971) used very similar categories in its own definition of the small firms sector.⁴²

The second important concept within the Dual Economy model is that of key industries. The economy as a whole is, according to Averitt, divided into a hierarchy of industries. A key industry is one that is central or of critical importance in the solution of any given economic problem.⁴³ Averitt identifies eleven key industries all of them in the manufacturing sector.⁴⁴ Averitt recognises that the growth of services is significant, and along with a developed manufacturing base the sign of a developed economy, but nevertheless these and the social overhead capital of roads, water, power, law and order, education etc. are heavily dependent, according to Averitt, on manufacturing capacity.⁴⁵ The core firms dominate the key industries as Averitt's tables demonstrate and they form a distinct 'centre economy' all other economic activity Averitt designates as part of the periphery or second economy.⁴⁶

42. Merrett Cyriax Associates, Dynamics of Small Firms Research Report, No. 12, Committee of Inquiry on Small Firms, HMSO, London, 1971, p23

43. Averitt, R.T., op cit, pp38-41

44. ibid pp43-44

45. ibid p36

46. ibid pp6-7

The third key concept in Averitt's model he refers to as the firm's 'technical system production'.⁴⁷

Averitt believes that the organisation and behaviour of a manufacturing enterprise, both centre and periphery, to be significantly conditioned by the technical production which characterised the firm's operations which Averitt presents as coming within one of the three following categories:-

1. Unit and Small Batch Production
- craft oriented.
2. Large Batch and Mass Production
- unskilled workers.
3. Process Production - continuous material flow.⁴⁸

"Absolute capital costs soar in process production, making barriers to new firm entry substantial. But if the plant can be operated full time at near capacity levels, the per unit costs of capital can be dramatically reduced ... The firm's most critical function is marketing; (emphasis in original) low costs depend directly on high sales volume."⁴⁹

Averitt, and others - see Edith Penrose The Theory of the Growth of the Firm (1959), draw extremely pessimistic conclusions that the disadvantages are so great that the small firm is essentially trapped in its place. The available data on small firms, and their high mortality rate, tends to support this

47. Averitt, R.T., op cit, p2

48. ibid pp23-27

49. ibid p27

pessimistic view of small business potential.⁵⁰

Since Averitt presented his arguments for the dual economy he has received powerful empirical support from studies such as the Committee of Inquiry into Small Firms (1971), and particularly from some of the special research reports undertaken by the committee. In particular Davies and Kelly (1971), found small firms to have predominance in only three sectors of Manufacturing; Leather (80% of net output), Clothing and Footwear (50% of net output), and Timber and Furniture (71% of net output).⁵¹ More recently still Averitt has admitted that he understated the importance of the financial sector.⁵² Nevertheless, Averitt's findings have received further support from Bowring's book Competition in a Dual Economy, 1986 as well as from Monkirs and Knoedler who have provided powerful empirical evidence to support the main contentions of Averitt's model.⁵³

50. Ganguly, Paul, "Lifespan Analysis of Small Businesses in the UK 1973-82" in British Business, London, HMSO, 12.8.83

51. Davies, J.R. and Kelly, M., "Small Firms in the Manufacturing Sector", Research Report No. 3, Committee of Inquiry on Small Firms, HMSO, London, 1971

52. Averitt, R.T., "The Dual Economy Twenty Years Later", in Journal of Economic Issues, Vol XXI, No. 2, June 1987, p798

53. Munkirs, J.R. and Knoedler, J.T., "The Dual Economy: An Empirical Analysis", in Journal of Economic Issues, Vol. XXI, No. 2, June 1987, pp 803-811

9.7 The Small Firm in the British Economy

Averitt's belief that the key or centre industries were closed to smaller concerns, which are crowded into less important sectors, is substantially borne out by the statistics provided from research supporting the Committee of Inquiry into Small Firms (1971) hereafter referred to as the 'Boulton Committee' after its chairman, J.E. Boulton.⁵⁴

Further evidence for Averitt's position is furnished by the Boulton Committee's findings, that over half of small firms encounter their main competition from other small firms with only 38% coming from larger rivals and 9% competing with imports.⁵⁵

"The new small firm tends to encounter industries with low capital, technological and management requirements and has consequently to contend with fierce competition."⁵⁶

The reason for the constant stream of new entrants into these areas of small business competition is, not so much because of high profits or lack of existing facilities but, ease of entry.⁵⁷ If the small firm

54. Boulton, J.E., Small Firms Report of the Committee of Inquiry on Small Firms, HMSO, London, cmd 4811, 1971, p1 and Table 1 p3, gives a definition and importance by sector of the small firm.

55. Davies, J.R. and Kelly, M., op cit, p53

56. ibid p60

57. Oxenfeldt, A.R., New Firms and Free Enterprise, Washington, American Council of Public Affairs, 1943, pp123 "... profits are low because of the constant stream of entrants induced to enter the trade not by the success of established units, but by the facility with which a business might be established.

sector is characterised by extreme competitiveness
 another crucial characteristic - one which Averitt's
 analysis would have led us to expect - is dependence.

"The Committee of Inquiry's survey reveals
 that over a third of small manufacturing
 firms sell more than 25% of their output
 to one customer, and 13.1% sell at least 50%."⁵⁸

However, no clearer picture of the duality and
 polarisation of the economy need be presented than is
 given in Table 3.1 from the Boulton Committee's Report.⁵⁹

TABLE 9.2

Table 3.1 The Relative Importance of Small Firms
 in different Industries, 1963

Small firms as % of all firms

<u>Industry</u>	<u>No. Employed</u>	<u>Net. Output</u>	<u>No.of Firms</u>
Misc. Services	82	68	99
Hotel & Catering	75	73	96
Retail	49	32	96
Road Transport	36	26	85
Building/Construction	33	27	92
Motor Trades	32	29	87
Wholesale Trades	25	11	77
Manufacturing	20	16	94
Mining/Quarrying	20	20	77
TOTAL	31	21	93

Only the miscellaneous services and in hotel and catering
 did (in 1963) small firms dominate any sector of the
 economy. Not that small firm predominance necessarily
 means a competitive market. Much depends on access to
 the local markets themselves. It may only be a family
 business but if it's the only hotel in two hundred miles

58. Davies and Kelly, op cit, p57

59. Boulton, J.E., Small Firms, Report of the Committee
 of Inquiry on Small Firms, HMSO, 1971, Cmnd 4811, p33

it has got a pretty firm monopoly on road weary travellers after about 5pm.

TABLE 9.3

Table 3.11 The Importance of Different Industries Within The Small Firms Sector, (1963)⁶⁰

% of Totals for All Small Firms

<u>Industry</u>	<u>No. Employed</u>	<u>Net. Output</u>	<u>No. of Firms</u>
Manufacturing	34	43	7
Retail Trades	28	21	46
Hotel & Catering	11	10	16
Building/Construction	10	11	10
Misc. Services	6	1	7
Wholesale Trades	4	5	4
Road Transport	3	3	5
Mining/Quarrying	-	1	-
Motor Trades	3	5	5
TOTAL	100	100	100

In Boulton's Table 3.11, above, it is interesting to note that it is manufacturing in 1963 that made the single biggest contribution to small firm output and employment.

A further point to note, in Table 3.11 above, is how manufacturing firms within the small firm sector are themselves relatively large, i.e. 7% of the total employing more than a third of the sector's labour force. The claim has been that manufacturing jobs could be replaced by new small businesses developing personal services.⁶¹ However, as manufacturing makes a major contribution to employment in the small business sector as well as in the economy as a whole contraction

60. *ibid* p59

61. Although there is evidence from the USA that small business has generated all the new employment the UK employment statistics show only services to be generating additional new jobs.

in small business manufacturing may well be expected to have a disproportionate impact on the level of employment sustainable by this sector.

Bannock estimated that by mid-1976 the size of employment in small firm manufacturing stood at 1,549,000, which meant that the relative share in small firm employment by the mid-1970s had fallen for manufacturing to just under 28%, from being 34% at the beginning of the decade when Boulton reported.⁶²

Evidence provided by Armstrong and Silberston (1965) suggests that part of the decline in the share of manufacturing activity accounted for by small establishments can be attributed to changes in industrial structure. That is, the failure of those industries in which the small establishment is of above average importance to grow as quickly as the manufacturing sector in total.⁶³ G.C. Allen (1970) also supports the view that changing industrial structure is an important factor determining small firms' relative importance in the economy.⁶⁴

62. Bannock, Graham, The Economics of Small Firms Return from the Wilderness, Basil Blackwell, Oxford, 1981, p30

63. Armstrong, A. and Silberston, A., 'Size of Plant of Enterprise and Concentration in British Manufacturing Industry, 1935-1957'. Journal of the Royal Statistical Society. Series A (General) Part 3, 1965 cited in Davies and Kelly, op cit, pl1

64. Allen, G.C. The Structure of Industry in Britain, Longmans, London, 1970, p59, cited in Davies and Kelly, op cit, pl2

Large firm domination is not confined to manufacturing. In the distributive trades the United Kingdom has the greatest level of concentration in the western world.⁶⁵

Today the top 10 retailing groups account for 22 per cent of total retail trade, and the large multiple retailers (with over 100 outlets) account for 37.3 per cent of retail turnover.⁶⁶

In terms of very small businesses, predominantly self-employed or family concerns operating with small sums of start up capital, the real opportunities are to be found in personal services. In 1971 the self-employed as a percentage of all employed formed the following proportions;

<u>%</u>	<u>Sector</u>
1.5	Manufacturing
18	Distributive Trades
19	Miscellaneous Services
26	Construction ⁶⁷

In certain personal services provided by builders, shop-keepers, lawyers, dentists, chiropodists, publicans, hoteliers, shoe and watch repairers, employers and self-employed outnumbered the employees.

 65. Hall, M., The Small Firms in the Distributive Trades, Committee of Inquiry on Small Firms Research Report No. 8, HMSO, London, 1971, p3

66. "Retailing" in Business Monitor, HMSO 1982, Tables 8 and 15 on p31 and p62

67. Scase, R. and Goffee, R., The Real World of the Small Business Owner, Croom Helm, London, 1980, p21

"According to the Wilson Report the personal services sector covers wholesaling, retailing, hotels, catering, construction and building, motor trades, road haulage and professional services.⁶⁸

Personal services can be undertaken by large scale organisations - health care, funeral services and dry cleaning are three examples. Personal services generally include the following elements;

- a) Labour intensive
- b) Offer narrow range of specialised services
- c) They operate in variable markets
- d) Small scale technology.⁶⁹

In addition personal services, in many cases, can be operated almost "informally" or "part-time". This leads to widespread tax avoidance and the ability to operate outside (below) accepted and often legally enforceable standards.

"... the widespread use of real money is conducive to the operation of an "informal" or "black" economy in which individuals may experiment 'on their own' in their spare time and possibly during periods of unemployment."⁷⁰

9.8 The Pressure to Adopt the Self-employment Option

The government in the face of rising unemployment has looked to self-employment, particularly personal services, as a means to reduce unemployment. Scase and Goffee argue that,

68. *ibid* p22

69. *ibid* p21

70. *ibid* p22

"The self-employed are not relics of the past but the product of newly created structural changes which have been brought about by the rapid expansion of personal services."⁷¹

Bannock (1981) reports a connection between recession and the generation of small businesses.

"Research by Johnson and Darnell of Durham University suggests that higher unemployment has historically been associated with more new business formation. Several historians (notably in France, Japan and Norway) claim that periods of economic depression seem, paradoxically, to have favoured small businesses."⁷²

All this leads one to consider whether or not the most important economic function of small business is to relieve or rather absorb surplus labour out of the labour market and off the state benefit payroll.

A survey conducted by Scase and Goffee into why people entered into small businesses on their own behalf undermines the image of the small businessman as an entrepreneur whose personal qualities set him apart from other men.

"Analysis of these accounts indicates that many proprietors are motivated by a wide range of social and non-economic factors of the sort that are often neglected in general discussions of entrepreneurial types. Thus, business formation and growth is often not ... out of a desire ultimately to become a successful entrepreneur, but as a rejection of working for somebody else."⁷³

71. Scase, R and Goffee, R., op cit, p21

72. Bannock, G., The Economics of Small Firms, Return from the Wilderness, Basil Blackwell, Oxford, 1981 p49

73. Scase, R. and Goffee, R., op cit, p32

Rejecting the employee role Scase and Goffee found meant;

- Escape the control of others
- Escape being exploited
- Greater freedom and autonomy to do less rather than more!

Thus;

"... for these people starting a business is often an explicit rejection of the capitalist ethic and any subsequent business growth is an almost accidental part of a dynamic over which they often feel they have little control."⁷⁴

Statistics on educational background, provided by the Boulton Committee, bear out this profile of the average small businessman, as coming from working class rather than middle class origins.⁷⁵

Given the circumstances of unsatisfactory employment or no employment the urge for people to set up for themselves, particularly in the provision of personal services with its obvious attractions of accessibility with low start-up costs, is understandable. But there remains the question of whether, long-term, there really are opportunities for the very small business in the personal services sector? Jonathan Gershuny's (1978) work raises a serious challenge to the whole strategy. It was always

74. *ibid* p35

75. The Boulton Committee, *op cit*, p24

held that as income rises expenditure on durable goods and services will rise more than in proportion to expenditure on necessities (Engel's Law).⁷⁶ In fact between 1954 and 1974 services remained static and the sector of household expenditure which showed increases were housing and heating from 14.1 per cent to 19.0 per cent and transport from 7.1 per cent to 13.4 per cent. When expenditure is dis-aggregated between service and machine (motor car) elements in transport, all the growth is attributable to the motor car (although there are some service elements here - repairs, insurance etc.). But the real growth in expenditure on services has been led by government in the fields of health and education. In terms of private consumption, Gershuny argues that the figures show that our dominant needs are not met by services but by goods.⁷⁷

The increased leisure and affluence of those occupying the upper half of the British society had enabled a "do-it-yourself" economy to emerge with many consumer goods being effectively items of domestic economic capital. In fact do-it-yourself is becoming a possibility for an ever widening range of services - thanks to computers this includes simple medical diagnosis and teach-yourself programmes.⁷⁸

76. Gershuny, J., After Industrial Society, Macmillan Press Ltd., London, 1978, p69

77. *ibid* p80

78. Scase, R. and Goffee, R., *op cit*, p82

9.9 The Dynamics of Small Firms - factors influencing growth and decay

Growth and decay must be regarded as having many dimensions - turnover, employees, profits, etc. - each of which is relevant in certain contexts. In terms of tangible contribution to the economy, turnover is probably the best indicator. In a social context, however, a more useful indicator would probably be total employment since this is indicative of the working conditions and related characteristics which are of social concern. Finally, apart from the standpoint of the viability of the sector, changes in profits (after allowing for any expansion of the asset base) are probably the most relevant variable. Merrett and Cyriax Associates (1971) surveyed 700 firms (96 had ceased trading between 1963 and 1979). The sources of growth and decline were analysed into the following; existing markets, new markets, new products, acquisitions, market share, management.⁷⁹ Their analysis, based on an increase or decline of turnover, found that contraction of markets accounted for over three-quarters of the decline in all sectors other than retail, and in a fifth or more cases the decline appears attributable to managerial weakness.⁸⁰ The primary correlation between growth and management characteristics proved to be between firms founded by their present management and those that were not. The founder managements

79. Merrett and Cyriax Associates, op cit, p3

80. ibid p3

starting from the same or higher levels of turnover in 1963, had growth rates of 118 per cent on average over the seven years compared with only 45 per cent for management which were second or successive managements to the founder. Firms under family managements but with outside directors also had, somewhat, better growth rates at 61 per cent, while firms managed by individuals who had purchased a controlling interest had a growth rate of 56 per cent.⁸¹

One of the most interesting and revealing findings of the survey was that in fact the smaller firms tended to grow less fast than their larger counterparts. The reasons for this were not directly ascertainable but the survey reported that the two most probable explanations are; firstly, the extent to which it is in the smaller firms that management is more concerned with the way of life than the pursuit of growth and secondly, the genuine difficulty in certain cases of growing beyond a given size.⁸²

Merrett and Cyriax Associates found that expansion of existing markets is without a single exception the most significant reason for growth. This provides further evidence for the structural constraints that exist for small firm growth and their ultimate vulnerability should recession strike.

The picture of small firm instability is further

81. *ibid* pp3-4

82. *ibid* p15

underscored by the mortality ratios found by the Merrett and Cyriax survey. The number of firms taken over reaches significant proportions in the manufacturing and construction sectors (Averitt puts both as core or centre firm areas of activity, see Table 9.4).⁸³

Almost equally important however, was the problem of management succession.⁸⁴ Bannock (1981) presents figures for the relative position of small firms in 1976, measured by employment and a further set of figures comparing the relative size of small business in the United Kingdom with other industrialised countries.

"... Other data suggests that both birth and death rates of small enterprises are lower in the UK than elsewhere ... One particularly interesting finding of international research on the demography of small firms has been that the initial size of small firms seems to be declining in the long term even though the average size of existing small (and large) enterprises has been increasing. These findings are important and consistent with the view that shortages of start-up capital are inhibiting the establishment of new firms."⁸⁵

This latter point is a significant one given the slower growth rates for the smaller of the small firms identified by the Merrett and Cyriax survey. Thus, the long term potential of the majority of entrants to the small firm sector may be relatively poor.

83. *ibid* p19

84. *ibid*, p2

85. Bannock, G., *op cit*, p54

TABLE 9.4

Taken from TABLE 3.2 in Merrett and Cyriax Associates

MORTALITY RATIOS

Proportion of Firms Existing in 1963 going into Liquidation, Ceasing to Trade or Taken Over by 1970

Status	Manufacturing & construction	Wholesale	Motor Trade	Retail
Voluntary liquidation	4.6%	15.0%	5.2%	6.7%
Compulsory liquidation	3.1%	3.9%	3.2%	8.1%
Ceased trading	2.4%	5.9%	5.4%	9.5%
Taken over	13.0%	7.7%	5.2%	4.1%
Total Mortality	23.1%	32.5%	19.0%	28.4%
Total 'failures'	19.7%	30.8%	15.5%	25.9%

Bannock estimates that the capital required to generate a job in a small manufacturing business to be well over £5,000 and between five and ten times that amount for the very large firm,

"... although on average the firm with more than 200 employees spends about 50% more in capital expenditure per employee than one employing less than 200."⁸⁶

If inadequate capital is seen as a major inhibiting factor in the development of small businesses the disadvantaged status of the average small businessman is also given prominence by Bannock.⁸⁷

The small businessman is often from a socially disadvantaged background lacking education, redundant, immigrant or forced into a subcontract work situation.

"It is very often the desperate, the nonconformist and the odd man out that goes into small business."⁸⁸

Another factor inhibiting the propensity to grow amongst the small firm is the fear on the proprietor's part that growth will result in loss of control. This was one of the most interesting findings to come out of the Scase and Goffee survey.

"But why do many business owners sacrifice the possibility of bigger profits through not hiring labour? ... First, the extent to which business growth limits their control over the activities of their enterprises. Secondly how far they feel personally competent to cope with the organisation and supervision of labour."⁸⁹

86. *ibid*, p31

87. *ibid*, pp34-36

88. *ibid*, p38

89. Scase, R. and Goffee, R., *op cit*, p55

One of the apparent contradictions in the literature on the small firm is the claim that recession encourages the development of small businesses, whilst clearly small businesses are the first to suffer if the market becomes either static or declining.

"During periods of economic depression and falling demand, businesses often go 'downmarket' and take work which would in more prosperous periods, be left to small competitors."⁹⁰

Thus, many of the smaller competitors end up going to the wall to enable their large rivals to tick over during periods of recession. Survival in difficult market conditions cannot be guaranteed by diversification as with the large corporation. The survival strategies that are embarked upon are such as to lead to dependent and even satellite status for the small firm.⁹¹

The case with which an independent 'competitor' small firm can slip into the role of dependent satellite is noted in the Merrett Cyriax survey. All but one of the satellites their survey identified had not started out that way. Formerly, they had marketed their products to all comers but a larger firm had guaranteed a continuity of orders which they had accepted and in doing so changed role.⁹² The perception of dependency

90. *ibid*, p81

91. *ibid* p86

92. Merrett and Cyriax Associates, *of cit*, p25

does not always accompany this changed role however.⁹³

The two factors most frequently referred to by the manufacturing respondents to the Merrett Cyriax Survey as restricting growth was lack of finance, for which the report recorded there being little evidence, and labour shortages.⁹⁴ However, the availability of credit, or loan capital is not the same as being able to afford the repayments. Bannock (1981) believed that a growing small firm would be unlikely to generate sufficient profits to finance its own expansion. High rates of interest, plus the high risk of losing everything if expansion goes wrong would appear to be powerful disincentives to small firm growth. This is specially true if the value and motivational profile of the small businessman discussed earlier is accurate (see Goffee and Scase 1980, ref. 141). Bannock also makes reference to Birk's Law that;

"The smaller the firm, the larger the proportionate increase in capital base required to respond to an increase in demand, but the lower its ability to command loans and equity finance."⁹⁵

It is unlikely that the problem of labour costs has been exacerbated by the current reversal in labour market conditions since the Merrett Cyriax survey. However, the situation today may be even better in as much as the dual economy model

93. *ibid* p26

94. *ibid* p20

95. Bannock, G., *op cit*, p43

includes a dual labour market concept that posits a duality of labour markets to parallel the split between large and small firms in the economy as a whole. If competitive pressures prevent small firms from passing on labour costs those same competitive pressures ensure that wage costs themselves will be held to a minimum. Today far fewer "imperfections" remain in the labour market.

Since 1979 there has been, for example, an easing of legislation enabling unfair dismissal to be claimed (Sec. 7, 1980 Employment Act), and the abolition of legislation to enforce minimum terms and conditions of employment established at industry level (Sec. 19 1980 Employment Act). Several wages councils have been abolished and remaining councils' powers are to be restricted to exclude young employees. The 1986 provisions for Wages Councils include the following:

- " - Wages council order will no longer apply to workers under 21 years old.
- Wages councils will have to consider the impact on employment of the rates they set.
- Wages councils will be limited to setting one basic hourly rate of pay; an overtime rate; and a limit to the amount which may be charged for accommodation.
- Existing wages councils and existing enforcement provisions will be retained, but there will be a simplified procedure for reviewing and amending the scope of councils, or abolishing councils."⁹⁶

In addition the Sex Discrimination Bill (1986) whilst

96. 'Wages Bill to encourage job creation' in Employment Gazette, HMSO, February 1986, p46

removing exemptions currently enjoyed by small firms employing less than five staff will also:

"... remove restrictions on women's hours of work contained in factories and associated legislation. These restrictions prevent women working shifts and at night, lay down the maximum number of hours they may work and curtail overtime working. The Baking Industry (Hours of Work) Act 1954 which restricts night work to men will be repealed

'We are unreservedly against sex discrimination', Employment Minister Ian Lang said. 'Not only is it unfair, but it is also in the interests of the economy for jobs to go to the best able to do them, irrespective of sex'.⁹⁷

In addition the employment context has changed dramatically from the 1960s to a situation where over 2 million people are registered as unemployed.

9.10 The current viability and prospects for small firms

The Boulton Committee (1971) and the Wilson Committee (1979) both produced evidence that small businesses were more profitable than large ones. The Boulton Committee's figures were based on return of net assets - RONA, and the Wilson Committee, the return of assets (ROA).⁹⁸

97. 'Employment Brief', Employment Gazette, HMSO, London, February 1986, p43

98. Burns, P., 'Are small businesses being oversold?' The Director, October 1985, p43

<u>The Boulton Committee 1968</u>	<u>RONA %</u>		
Small Firms	11.2%		
Quoted Firms	9.5%		
<u>The Wilson Committee</u>	<u>ROA %</u>		
	<u>1973</u>	<u>1974</u>	<u>1975</u>
Small and Medium	21.0%	18.2%	16.1%
Large	18.3%	16.2%	14.9%

To draw conclusions based on these figures may be rather optimistic in that they exclude figures for meso-sector or transnational corporate profits. In as much as the "large" firms quoted above may in fact be in international terms 'Loyal oppositions' operating in different sectors of the economy, their profitability may not be a very helpful comparison. Although it is equally true that the small firm's profitability is likely to be understated due to the flexibility afforded to the small firm proprietor as to how much he draws out of the business.

The most recently published data in Business Monitor (MA3 No.15) whose survey covers about a third of all small businesses (those which are incorporated) has found that the above trends have been reversed. Using ROA as the criteria the smallest firms in 1980 appeared to be making a return of only 3.6%.⁹⁹

"On average the smallest manufacturing companies were making a loss in these years (1979, 1980). The picture would not seem to be improving in 1981."¹⁰⁰

99. ibid p43

100. ibid p43

Professor Burns' survey of the Business Monitor data found the following characteristics of small companies in comparison to large companies.

- They are less liquid with current ratios around 1.0 over the period compared to 1.4 for large companies.
- The smallest companies are highly geared and the gearing level is drifting up.
- A far smaller proportion of gearing is represented by long term loans.
- A far higher proportion of a small company's assets are represented by debtors.
- A lower proportion of its assets are represented by fixed tangible assets.
- Small companies are largely financed by creditors, which explains the low liquidity.
- Shareholders' funds are a smaller element in their financing than in larger companies and are decreasing.¹⁰¹

Another Boulton Committee finding however, which more recent data does not contradict is that net output per head rises with the increased size of the firm - measured by numbers of employees per establishment;

"The Boulton Report said that "net output per person rises with the size of firm even among small firms." Recent figures from the UK Census of Production confirm this still to be the case. They show a clear trend, for businesses in the range 1-1500 employees, for net output per head to increase with size of establishment."¹⁰²

Taken together with the weak profitability and financially precarious state of small business today a large question mark remains over government policy

101. *ibid* p44

102. *ibid* p46

promoting small business.

"One solution might be for the Government to devote increased attention to measures designed to improve the efficiency of small business and foster their growth into medium and large businesses."¹⁰³

Unfortunately, Professor Burns does not indicate what sort of measures might accomplish this objective. But it is interesting to note that the obvious implication of this reference to 'Government' is that Professor Burns does not believe relative growth is within the capacity of this sector without government backing. This is a similar conclusion to that of John Palmer in the context of worker co-operatives (see Palmer op cit, Sec. 9.1).

9.11 The Labour Process

In neutral terms the labour process has been defined as,

"... that process by which raw materials or other inputs are transformed into products having a use-value. This process is a combination of three elements:

- human activity, or labour, which is set to work as labour power, - the object (raw materials, unfinished products etc.) upon which labour acts, - the means (means in general, usually in the form of tools or of ever more complex machinery) by which labour acts."¹⁰⁴

Any epoch or mode of production may be expected to exhibit particular characteristics. In the capitalist epoch we have seen that, whether of conservative or

103. ibid p46

104. 'The Labour Process: from Fordism to neo-Fordism', The Labour Process and Class Strategies, C.S.E. Pamphlet No. 1, London, 1976, p46

radical bent insofar as they address the issue, writers would broadly agree that the labour process since the advent of capitalism and particularly since the industrial revolution has exhibited the following characteristics:

- a. Labour and capital are separately owned by distinct social classes. Under capitalism the worker is "free" of ownership or control by the capitalist and sells his labour at a given "price" or wage. But he has no access to capital of his own. In the early stages workers may have owned their looms, etc., before the factory system and until very recent times craftsmen still owned the tools of their trade.
- b. The means of production is subject to constant technological innovation. From the steam engine; the spinning jenny etc., to robotics this has been a constant feature.
- c. There has been increasing specialisation and division of labour both within any given organisation and also between industries on a geographical basis. With the tendency to increasing concentration of capital and the separation of the planning of work from the execution of work.

We have seen how competitive pressures and the attempt by corporate management to avoid the uncertainty and risks that accompany real competition was a motor driving modern firms to grow in size. But growth in size increases the problems of control and without control the potential productive capacity of the hired labour power of the worker might not be realised.

Technology's role here is primarily to enforce pace (quantity of output) and quality (standardisation of output) of work. At the heart of the labour process concept under capitalist relations of production is the simple view that the capitalist tries to organise work in order to increase his control of the labourer's

inputs. The rate of generation of surplus is both a function of the intensity of work and length of time at work to which the worker is subjected in relation to the price which is paid for that labour.

The mechanisation of production not only controls the output rates of the hired labourer, but also by reducing the actual numbers required and the skill content of their jobs reduces the firm's dependence on any given group of workers. The ease with which a given worker can be substituted by another ensures that without trade union organisation the worker's position will remain weak vis a vis capital's (see The Herald of Co-operation ref.22 in Chapter 4).

In Table 9.5 we can see the main divisions that Braverman believes characterises the development of the capitalist labour process.¹⁰⁵

Marxist and radical academic sociologists have spent considerable effort in dissecting Braverman's analysis and many of their points have some justification (see Littler 82). Braverman is criticised on three grounds:

A. His book Monopoly Capitalism is said to be devoid of historical content. This is true but in itself it is not a fair criticism. Braverman uses historical examples to illustrate his theoretical construct rather than attempting an historical proof or elaboration.

105. Littler, C.R., The Development of the Labour Process in Capitalist Societies, H.E.B., London, 1982, pp23-26

TABLE 9.5 Stages in the Socio-Technical Organisation of Production Under Capitalism

Taken from Littler, C.R. The Development of the Labour Process, 1982, pp 23-26

	Simple cooperation	Manufacture	Modern industry or machinofacture	Monopoly Capital
Technology	Not machine-based work. Traditional handicraft production	Not machine-based, but the erosion and fracturing of traditional handicrafts	Machine-based	Automation
Division of labour	No systematic division of labour within the workshop	Detailed division of labour	Detailed division of labour related to a machine process	Detailed division of labour based on Taylorism and related to automatic machinery
Mode of control	Formal subordination		Formal plus real subordination	Formal plus real subordination only occurs now. It did not occur under machinofacture
Dominant mode of extracting surplus value	Absolute surplus value		Relative surplus value	Relative surplus value
Working-class divisions	Skill hierarchies plus barriers between crafts		Mechanization breaks down skill divisions and produces a mass of unskilled labour	Mass of unskilled labour, including large groups of unskilled clerical and service labour, but collectivization of workers has occurred.

However, the criticism should make us wary of a too literal acceptance of the Braverman thesis. In particular this failure to adequately research the historical data leads to the second and in some ways more damaging challenge to Braverman.

B. Braverman's characterisation of labour is said to be an idealised conception based on the traditional craft worker. Insofar as this is true it has been said that Braverman confuses deskilling within capitalism with deskilling across modes of production (see Cutler, 1978, 'The Romance of Labour', Economy and Society, No. 7, pp74-9) cited by Littler (1982). Because of a lack of historical specificity "Labour" it presented as a general category in the production process. This obscures the essential variability of worker resistance to the process of control and deskilling Braverman is describing. Braverman having taken handicraft work as a model assumes that the separation of conception and execution of work under capitalism makes all work under capitalism essentially inimical to human-work as such and means that necessarily workers will seek to subvert these arrangements. Braverman it is claimed ignores other areas for control that may well prepare the worker for the capitalist labour process such as school, family, church, etc., (see Bendix, R., (1974) Work and Authority in Industry, cited in Littler 82 above).

C. Lastly, it is argued that Braverman appears to accept literally the proposition that Taylorism was

in fact introduced precisely as Taylor wrote about (see Littler and Edwards (1978) 'Social Relations of Production', Insurgent Sociologist, No. 8, pp109-125). In fact, however, Braverman makes it clear that Taylorism was paralleled by the Human Relations School indicating that he realises all too well that Taylor was mediated (Job Enrichment Programmes etc.) in terms of the presentation and organisation of his production process theories and that this modified and shaped the implementation of Taylor's programme.

There is little in the literature, and even less in the real world to suggest that Braverman's analysis in its broad direction was not correct. Littler when he writes, that Braverman,

"... ignores the fact that the arenas of influence and control may be the school, the family and other non-work social institutions, such that workers come to the factory gates prepared to contribute effort in terms of customary standards..."¹⁰⁶

appears to forget the passage where Braverman explicitly acknowledges exactly this;

"... we must mention another important function of the educational structure: with the disappearance of farm and small-town life as the major arenas of child-rearing, the responsibility for the care and socialisation of children has become increasingly institutionalised. The minimum requirements for "functioning" in a modern urban environment - both as workers and as consumers - are imparted to children in an institutional setting rather than in the family or the community."¹⁰⁷

106. *ibid* p27

107. Braverman, H., *op cit*, p287

These criticisms suggest important modifications but not by any means a refutation of Braverman's central thesis, nor do their authors intend such a refutation. For our purpose, it is important to remember that developments aimed at deskilling and fragmentation of work takes place at an uneven pace and are themselves influenced by the struggles or lack of struggle from the workers themselves together with other conditions relating to specific industries. Secondly, if we are to identify a general strategy towards control we must recognise that within corporate structures this may require not an elimination of "skills" but a positive construction of job heirarchies. It is possible to argue that the modern corporation needs both a stable loyal workforce and an industrial reserve army in order to function effectively.

9.12 Dual Labour Markets

The existence of internal and external labour markets - dual labour markets - provides, perhaps, the best evidence for the basic soundness of Braverman's view of the capitalist labour process as one that functions both to exercise and extend managerial control, and in its underlying tendency to deskill. They are equally to be seen as a natural corollary to the industrial structure of the dual economy if, as can be expected, managers seek to exploit the situation in order to reduce labour costs and trade union influence.

The Dual Labour Market, therefore, is itself both an

outcome and also an objective of the giant corporate planning system at the core or centre of the dual economy. The primary division of the dual labour market is between internal labour markets and external or secondary labour markets. A useful analysis of the concepts of Dual Labour Markets and the developing literature has been provided by Jain and Sloane (1980).¹⁰⁸ According to labour economists like Hunter, Reid and Boddy (see Labour Problems of Technological Change, Allen and Unwin, London, 1970) the production process and the degree of monopoly power of both capital and labour will make for strong internal labour markets in the core firms. Wages and conditions will all be negotiated within the firm rather than the market place. Career ladders and seniority rights in particular are two areas of employment characteristic of strong internal labour markets. Core firms need stability and uninterrupted production in order to plan effectively and to protect their massive investments of capital. The maintenance of a high ratio of capital to labour leads management to seek stable and secure labour relations through a high waged and loyal workforce. This being achieved through the division of the labour market into primary or internal labour markets composed of jobs in these core firms, IBM, ICI, etc., and secondary labour markets where the external market is the major job allocator. As we have seen, in terms of

108. Jain, H.C., and Sloane, P.J., "The Structure of Labour Markets, Minority Workers and Equal Employment Opportunity Legislation", in Internal Journal of Social Economics, Vol. 7, No. 3, MCB Publications Ltd, Bradford, 1980, pp95-121

the dual economy model, periphery firms tend to be unstable with high rates of new entrants counterbalancing equally high firm mortality rates. These firms operate at lower gross margins leading to lower profits and lower wages. The position of workers in this sector contrasts starkly with the stable, secure employment provided by the core firm's internal labour market. External labour markets have been characterised as being:

"... low paying with poorer working conditions, little chance of advancement, a highly personalised relationship between workers and supervisors which leaves wide latitude for favouritism and is conducive to harsh and capricious work discipline, and with considerable instability in jobs and a high turnover among the labour force." 109

In contrast, whereas the wage levels of workers in the external labour market are determined by market forces, wages and job allocation in the internal labour market is governed by a set of internal administrative rules and procedures. The existence of a reserve army of unemployed serves to ultimately discipline both sets of workers. Whereas those within the external labour market are in regular immediate competition with this reserve army, those in the internal labour market have the privilege of viewing it all at a distance. Of course this characterisation of labour markets is a generalisation and a simplification but it serves the useful purpose of describing a fair approximation to reality and as an

109. Littler, C.R., op cit, quoting Piore (1972), p16

explanation for the direction of current management thinking. Such modifications, as are required, tend to elaborate rather than deny the central idea of closed non-competitive markets as a mechanism for providing closer control of workers' behaviour and the price for any given worker. Jain and Sloane, for example, utilise the earlier works of Kerr (1954) and Alexander (1974) to produce the following classification of Labour Markets into:

"(i) Open markets which are unstructured, subject to competitive forces and characterised by lack of skill, low capital/labour ratios and an absence of firm specific training.

(ii) "Guild" or craft markets which are structured horizontally by means of occupational licensing, so that there is considerable mobility of labour between firms but little between industries or crafts. General training is more important than specific training.

(iii) "Manorial" or enterprise markets which are structured vertically by means of promotion ladders with relatively little mobility between firms. Training specific to the firm, in part a function of technology, is all important. For manual employees the ILM will generally correspond to the plant but for managerial staff it will be company-wide, whilst other white-collar employees will tend to either pole with clerical workers and technicians being closer to the manual case and the professional qualified closer to the managerial extreme."¹¹⁰

It is clear that different national cultures and traditions affect the level of formal or bureaucratic development that occurs within specific internal labour markets.¹¹¹

110. Jain, H.C. and Sloane, P.J., op cit, p96

111. ibid p97

This brings us to an important point of qualification regarding the issue of points of contact between ILM and ELM. The barrier between the two can exist within the boundaries of given firms. The relative power of trade unions may well be an influence here. British unions have traditionally organised on an industry or multi-industry basis. It is precisely the "conglomerate unions" that have proved to be the most resilient and fastest growing. The TGWU merger record is not unlike that of the giant corporations it tries to negotiate with. This has meant that British unions have entered into agreements similar to internal labour market arrangements. They have then used these as goals in industry-wide negotiations aimed at arrangements which then had, in the 1970s, legislative powers of enforcement, thus mitigating the worst effects of the external labour market. Such a strategy combined with high union penetration in membership terms roughly 50 per cent of the total workforce but higher still in many sectors,¹¹² and full or near full employment has meant that in the United Kingdom the labour market implications of the Dual Economy have been retarded, for much of the post-war period.

British unions have tried to eliminate the distinctions of 'staff' status and hourly paid which has been perhaps the traditional dividing line between the ILM and ELM within the British firm large or small. The unions in effect aim to ensure ILM terms and conditions

112. 'Membership of trade unions in 1984', Employment Gazette, HMSO, London, January 1986, p16

for all their members. These objectives are reflected not only in hours, holidays and wages, but also in Redundancy Agreements, Health and Safety Procedures, New Technology Agreements, Disciplinary Procedures and so on. In contrast, but also in complementary fashion, the worker co-operative and self-employed workers have been responding to and coming to terms with external (and largely non-unionised) labour market conditions.

The extension of external/secondary labour market status can be charted right across industry by the growth not only in part-time employment but of the incidence of temporary employment (Robinson and Wallace 84 show this in Table 9.6, see also Meager 86 in Table 9.7).

They wrote:

"Since 1951 part-time labour has been growing both in absolute and relative terms. In fact table 1 suggests that since 1951 the growth in numbers working part-time is much greater than the growth in total employment. Unemployment has also grown considerably over this period and therefore, it is difficult to accept the expansion of part-time employment purely as the consequences of labour supply constraints."¹¹³

The study conducted by Robinson and Wallace found that in the 21 organisations covering 33,000 employees in both public and private sector manufacturing and service industries;

113. Robinson, O. and Wallace, J., 'Growth and utilisation of part-time labour in Great Britain' Employment Gazette, HMSO, London, September 1984, p391

TABLE 9.6 Growth of part-time employment in Great Britain, 1951-81

	EMPLOYEES IN EMPLOYMENT, ALL INDUSTRIES								ALL
	MALE				FEMALE				
	FT	PT	All	%*	FT	PT	All	%*	
1951 (a)	13,438	45	13,483	0.3	5,752	754	6,506	11.6	19,989
1961 (a)	13,852	174	14,026	1.2	5,351	1,892	7,243	26.1	21,269
1971 (a)	12,748	572	13,320	4.3	5,166	3,152	8,318	37.9	21,638
1971 (b)	12,840	584	13,424	4.4	5,467	2,757	8,224	33.5	21,648
1981 (b)	11,511	718	12,229	5.9	5,304	3,781	9,085	41.6	21,314

Sources: (a) Census of Population: 1951, Great Britain, one per cent sample Table 11.2. 1961, England and Wales, Industry Tables - Part I Table 2: Scotland, Occupation, Industry and Workplace, Part II, Industry, Table 2. 1971, Great Britain, Economic Activity Table Part IV, Tables 26 and 34.

(b) Employment Gazette: August 1973, Census of Employment June 1971; December 1983, Census of Employment September 1981.

* Part-time as percentage of total employment.

Robinson, O. and Wallace, J. 'Growth and utilization of part-time labour in Great Britain' Employment Gazette, HMSO, London, September 1984, p 392.

TABLE 9.7 Occupations of temporary jobs in IMS sample of employers

Occupational Group	Males		Females		Total	
	Nos	Per cent	Nos	Per cent	Nos	Per cent
Managerial and administrative	96	2.1	80	1.0	176	1.4
Professional engineers, scientists and technologists	151	3.3	9	0.1	160	1.3
Computer professionals	55	1.2	7	0.1	62	0.5
Other professional and related	36	0.8	52	0.6	89	0.7
Technicians, draughtsmen etc	78	1.7	11	0.1	95	0.7
Clerical, secretarial, office machine operators	587	12.7	1,151	14.2	1,732	13.6
Sales staff	144	3.1	661	8.1	805	6.3
Craftsmen and other skilled manual workers	96	2.1	34	0.4	130	1.0
Semi and unskilled manual production workers	404	8.7	160	2.0	564	4.4
Other semi and unskilled manual workers	1,175	25.4	284	3.5	1,459	11.4
Security staff	2	0.0	0	0.0	2	0.0
Personal service occupations (including catering, cleaning staff, etc.)	1,407	30.4	5,322	65.6	6,729	52.8
Other or inadequately described occupations	397	8.6	347	4.3	744	5.8
Total	4,629		8,118		12,747	

Meager, N. 'Temporary work in Britain' Employment Gazette, HMSO, London, January, 1986, p 10.

"Irrespective of the size of the labour force and the nature of the industries and occupations in which they were employed, the grading distribution of jobs held by women in part-time employment was inferior to that of men and women in full-time employment."¹¹⁴

George Clark (1982) found that two features of the growth in importance of part-time working were;

1. The shift to services away from primary and manufacturing sectors.
2. The change in sexual composition of the labour force.

"In manufacturing, the number of females employed full-time declined by over 250,000, whilst part-time numbers increased by 10,000. In services, female full-time employment grew by 265,000, while part-time employment grew by three times as much, by more than 900,000."¹¹⁵

Contrary to much popular wisdom that part-time employment is what women actually prefer Robinson and Wallace (1984) found in their study that;

"Managers had waiting lists of women seeking full-time employment, and of existing part-time employees wishing to transfer to permanent full-time work."¹¹⁶

In temporary employment the trends are also to register an increase although the changes are less dramatic they still represent significant shifts in employment policies. Nigel Meager (1986) cites evidence from the Institute of Manpower Studies, the Manpower Services

114. *ibid* p394

115. Clark, George, 'Recent Developments in Working Patterns' in Employment Gazette, HMSO, London, July 1982

116. Robinson, O. and Wallace, J., *op cit*, p397

Commission, and the Council of the EEC Commission all pointing to the increasing use of temporary staff by employers. Quoting from the IMS Survey Meager noted that over half of the temporary jobs were in the personal services occupations. Meager also noted that it was in the fastest growing concerns that temporary employment was most significant in absolute terms and in terms of growth expectations.¹¹⁷ Those firms in manufacturing who were increasing their use of temporary staff cited uncertain demand and the experience of high costs of redundancy after the 1979 recession as an important factor in the decision to rely more on temporary workers.¹¹⁸

Male employment dropped from 13,388,000 to 11,548,000 whereas female employment rose from 9,151,000 to 9,337,300. However, there was a decline in full-time employment for women from 5,506,000 to 5,000,000. Male unemployment in December 1985 stood at 2,253.9 or 16.1 per cent whereas female unemployment stood at 1,019.1 or 10 per cent.¹¹⁹ By 1984 the total of British people living in what might be considered as poverty had reached a staggering 18 million - nearly 7 million more than in 1979.¹²⁰ Social Trends (1984) reported

117. Meager, N., 'Temporary Work in Britain' in Employment Gazette, HMSO, London, January 1986, p9

118. *ibid* p14

119. "Employees in employment, September 1985", in Employment Gazette, HMSO, London, January 1986

120. Townsend, P., 'Why are there so many poor', Fabian Society 1984 quoted in the Financial Times, London, 2.10.84

increased lethargy and a consumption of tobacco twice as high for the unemployed as for employed households.¹²¹ The young appear to find unemployment to be a blockage in their growth to adult status.¹²² Evidence of stress, illness and increasing suicides as a result of unemployment have also been documented.¹²³ For every 1,000 persons coming on the dole 14 or more people are received into prison (16 in Scotland). Partly this is the result of non-payment of fines, and partly because the plea of mitigation against a custodial sentence due to loss of employment is not available to a convicted unemployed person.¹²⁴ The fear and stress that high levels of unemployment can create are more widespread than the unemployed themselves. A survey conducted across nine countries, by the Atlantic Institute for International Affairs, found that 67 per cent of respondents to the question; "Which of the following are your greatest concerns?" listed unemployment - almost three times as often as the next most foremost concern - the threat of war (26%). The mounting numbers of mortgage foreclosures, rent arrears and bad debts are all further evidence of the destruction and misery that lie beneath the unemployment statistics.¹²⁵

121. Pauley, R., 'A dismal picture of life on the dole', Financial Times, London, 8.12.83

122. Meredith, M., 'Young feel unemployment blocks way to adulthood', Financial Times, London, 14.10.83

123. 'A job to keep out of jail', Labour Weekly. London 2.1.81

124. *ibid*

125. Pauley, R., 'Survey shows up serious social problems for the unemployed', Financial Times, London 10.1.85

Bray writing of his own experience of unemployment back in the 1820s said he became so desperate that he considered becoming a highwayman and only the thought of his sisters dissuaded him. The absolute level of poverty may well have improved for the unemployed since Bray's day but the feeling of desperation and hopelessness appears to be undiminished.

9.13 The Flexible Firm - Employment Strategy in the Dual Economy

We have sought to demonstrate the weight of evidence in favour of a dual economy model for the structure of our economy. We have also suggested that the process of developing a dual labour market has begun. Perhaps the most conclusive evidence of this latter development is to be found in the developing strategy for human resource management within the firm that is currently evolving. John Atkinson, research fellow at the Institute of Manpower Studies at the University of Sussex has described this strategy as that of "the flexible firm".¹²⁶ (see Fig.1)

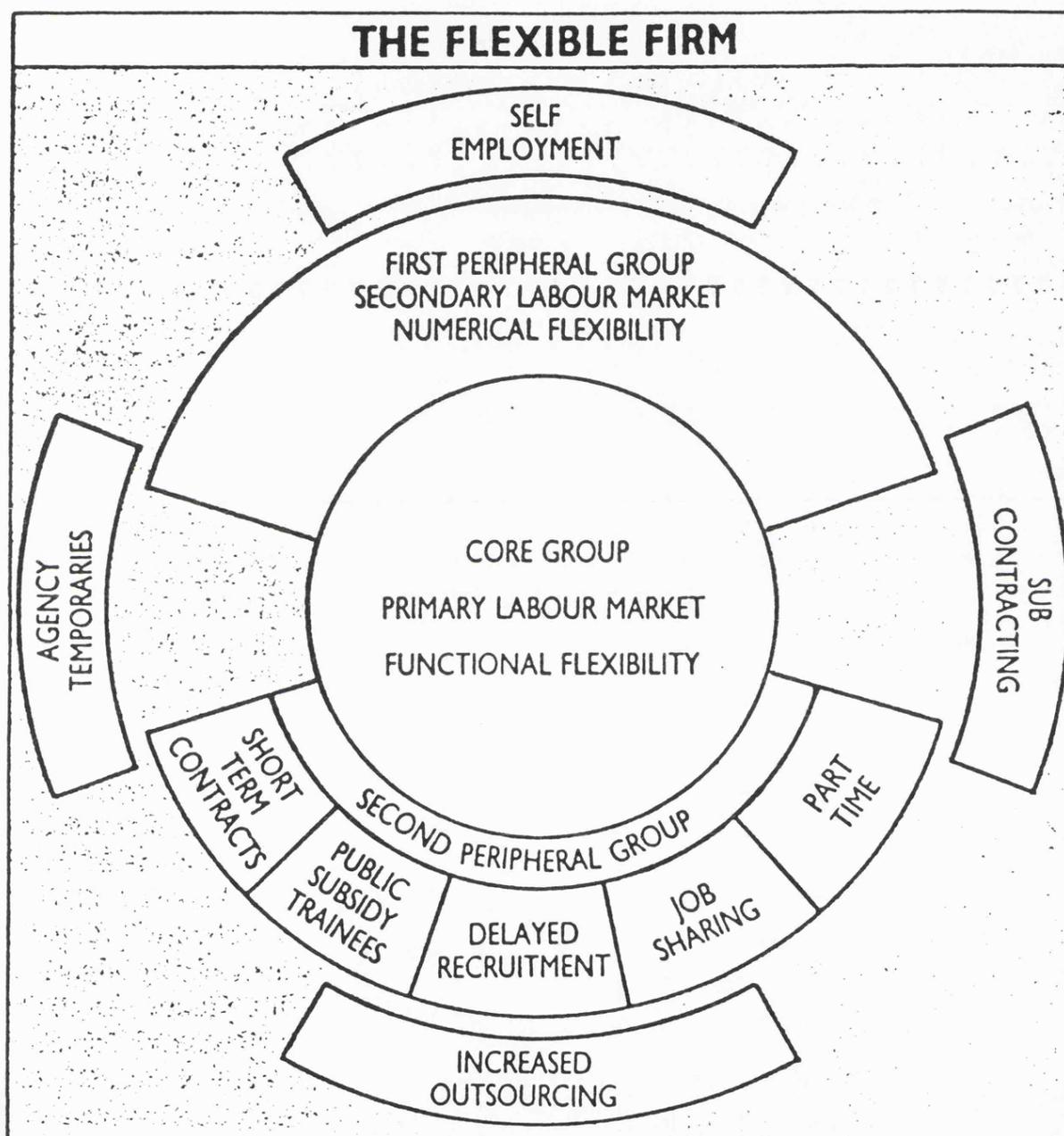
Atkinson reports that the Institute's research indicates that the modern firm is looking for three kinds of flexibility;

"Function flexibility is sought so that employees can be redeployed quickly and smoothly between activities and tasks.

126. Atkinson, John, 'Manpower Strategies for flexible organisations', in Personnel Management, London, August 1984, pp27-31

Figure 1. The Flexible Firm

From Atkinson, John 'Manpower Strategies for Flexible Organisations, in Personnel Management, London, August 1984, pp27-31.



Numerical flexibility is sought so that headcount can be quickly and easily increased or decreased in line with even short term changes in the level of demand for labour.

Financial flexibility is sought for two reasons; the first so that pay and other employment costs reflect the state of supply and demand in the external labour market ... Secondly, and probably of greater importance in the long term, pay flexibility means a shift to new pay and remuneration systems that facilitate either numerical or functional flexibility, such as assessment-based pay systems in place of rate-for-the-job systems."¹²⁷

One indicator of the development of a more flexible workforce is the recent survey conducted by the Labour Research Department which claims that flexible working whilst increasing is still not very widespread in Britain.¹²⁸

Clearly the growth in demand for part-time and temporary workers by employers is motivated by the realisation that it can lead to a more flexible response to the fluctuation in their need for labour. Such "finetuning" gives greater control of labour costs at the level of the firm. At the macro economic level it creates labour market conditions that are conducive to cheapening the market price for labour and hampers the general spread of trade unionism amongst the unskilled or in more modern terms non-core groups of employees.

127. *ibid*

128. L.R.D. Flexibility in Bargaining, Report No.56, Nov. 86, L.R.D., London

9.14 The environment of the contemporary workers' co-operative movement

This chapter has sought to describe the most important features of the modern capitalist economy and at the same time fill this out with specific data on the United Kingdom economy and labour markets in particular.

What has become clear from the evidence of this chapter is that modern capitalism has become more adept at insulating the core firms from the fluctuations - cyclical or otherwise - of the market economy. It is also clear that the polarisation between bourgeois and proletariat has not occurred in the way Marx expected, although the marginal existence of many in the small firm sector does suggest a variation on his theme of the impoverishment of the middle-classes. Deskilling has in fact led to a growing segmentation and fragmentation of the labour market along lines not anticipated by classical Marxist literature. Nevertheless much of the current picture would be familiar to Bray and the English Labour Economists. The substitution of mechanisation for skilled/craft labour - the encouragement of female rather than male labour - and the helpless and dependent state of the worker vis a vis capital is perhaps even more evident today than in Bray's time.

Another point that is suggested by the dual economy literature is the relative stability of those firms who are now in the dominant or core sector of the economy. The small firm sector is seen not so much as a competing but a complementary sector performing

important but low value added services for the core firms.

In the context of trade union strategies internal labour markets may not prove wholly effective in the prevention of trade union penetration within the firm but they do show signs of being able to contain any threat trade unionism might pose to overall profitability by dividing the workforce along the lines of core and peripheral segments. However the employers have not yet won this particular battle. The latest survey of trends in industrial relations shows that the overall density of trade union membership has held up reasonably overall and marginally increased amongst part-time workers joining trade unions - up from 27% to 29%.¹²⁹ Mass unemployment has weakened unions' bargaining power but not apparently the perceived need by workers to belong to such organisations.

The pressure from enterprise agencies, small firms centres and the MSC to encourage unemployed workers to think of self-employment supports the basic dual economy strategic objective that is beginning to emerge on the basis of the evidence assembled in this chapter. This is the replacement of the employment contract with the self-employment contract for as wide a

129. Millward, N. and Stevens, M., "Union density in the regions", in Employment Gazette, Vol. 96, No. 5, May 1988, Department of Employment, HMSO, London, p295, Table 6.

range of services, required by the core firm economy, as possible. When a "temporary" worker becomes a "freelance" worker or self-employed subcontractor the political agenda changes drastically. In such a case the concept of class/community becomes diluted as each individual follows - in true Jevons style - their own self interest in the market place.

It is perhaps therefore no small irony that today it is precisely in the context of the small firm sector rather than in the traditional organisations of labour that worker co-operatives have occurred, many with radical working practices, wages structures and management/ownership relations based on values which are the very antithesis of everything the Dual Economy is trying to establish. We shall return to a re-examination of the criticisms by Marx (see Ch.8) and more recently to John Palmer, see ref. 1 in this chapter, in chapter 11. Before that, however, we shall examine the contemporary co-operative movement's profile and principles in chapter 10.

CHAPTER 10

A PROFILE OF THE CONTEMPORARY WORKER

CO-OPERATIVE SECTOR

10.1 Introduction

This chapter is concerned to present a factual description of the contemporary worker co-operative sector as it has developed in the post-war period including the increasing momentum it has achieved since the 1970s in terms of numbers of co-operatives, trading activities, size (numbers employed), age and legal form. In addition there will be an analysis of the various promoting bodies that have come into being in this period. This part of the chapter will unfold in broadly chronological sequence from the continued stagnation and demise of the Co-operative Productive Federation (CPF) (10.2), the rise of the Industrial Common Ownership Movement (ICOM) (10.3), the growth of national and local government initiatives (10.4), and the statistical evidence concerning the worker co-operatives themselves up to 1986 (10.5). This order may be justified by the fact that to a large extent the non-governmental promotion bodies preceeded the current rapid growth of worker co-operatives. Some academic research suggests a link between local CDAs and the growth rate of new worker co-operatives (Cornforth 84; Cornforth and Stott 84, and Cornforth and Lewin 85).

In 10.6 we shall conclude this factual description of the contemporary worker co-operative movement with a

summary of its main features and their implication in the light of our analysis in Chapter 9.

10.2 The demise of the Co-operative Productive Federation

In chapter 5 we traced the development of the CPF Ltd form of workers co-operative up to the interwar years. We shall not recapitulate here the explanation proffered for their stagnation and decline in the interwar period but move straight into a consideration of the forces leading to their gradual failure and virtual disappearance from the Co-operative scene in the post war period.

One contributory factor must surely remain the continuing failure of the CWS Ltd to provide any serious assistance either by the favourable procurement of raw materials or end markets for the product of these worker co-operative societies. Evidence of this is found in the internally circulated notes of an exchange between delegations from the CWS Ltd and the CPF Ltd in 1939 under the auspices of the CWS 'Co-ordination of Co-operative Production Sub Committee'. The CWS Ltd response to CPF Ltd requests on behalf of their Boot and Shoe making societies for procurement and sales contracts is instructive.

For the CWS Ltd

"Mr Prater said - that this matter has been thrashed out to a large extent sometime before. With regard to raw materials, the Sub Committee concerned gets an analysis of the various leather purchases and thread purchases, and so on. There was a general

consensus of opinion at the time this matter was considered before that it offered insuperable difficulties to get down to that question of purchasing raw materials. Mr Prater put the position up to the Productive Federation representatives re production at Grappenhall Tannery. A fair amount of the production of our Tannery is utilised in our own Boot Works. A larger proportion, however, is used by retail societies in the Boot Repairing Trade. Grappenhall Tannery have, at any rate, for sometime past been working on their maximum output. Mr Prater believed that they were doing 700 hides per week. The CWS experience gained in the past with regard to the Tannery has been such that the Directors have been very hesitant, although they have had an opportunity of acquiring Tanneries offered, to go further into the business.....

With regard to the possibilities of the CWS obtaining supplies of boots and shoes from the Productive Societies, Mr Prater wondered whether it could be said that the Productive Societies now produced anything in the way of Boots and Shoes that the CWS is not producing. There might be an odd line here and there. Taking the range in the various types, Mr Prater thought it could quite fairly be said that the CWS range is greater than that of the productive societies. The CWS is not getting the amount of co-operative boot and shoe trade in the movement which is their due. The Productive Societies cannot produce at a rate lower than the CWS can. The CWS purchases between 1% and 2% from outside sources. The purchases made outside are, in the main, of Rubber Footwear and the Movement is not in this business yet. We get back to the position that the productive societies in general cannot be said to produce ranges of goods better than the CWS. As and when we reach a position when the CWS Works are overwhelmed with orders, the position would arise then as to whether definite contracts would be put out for supplies."¹

Nevertheless the CWS Ltd did not close the door

1. CWS Ltd. Co-ordination of Co-operative Production Sub Committee. Notes of interview with representatives of the Co-operative Productive Federation. CWS Ltd, Manchester Wednesday 12 July 1939, pp6-7

entirely as is evidenced by another member of the CWS delegation referring to contracts for procurement.

"Mr Cardinal - Felt that there were possibilities of something developing, providing that Mr Taylor and his colleagues were in a position to say to the CWS that the Societies they represent were prepared to hand over their buying to a central organisation, of those things which we do not produce but which we have to buy for ourselves....."²

The CPF Ltd response was not encouraging.

"Mr Worley - Said that, since the 'death' of the Co-ordination Committee, they had been, and still were, examining in detail the possibility of co-ordination with a view to the specialisation of one factory on one type of production. It was not in their mind to re-open all the problems which had been discussed by the Co-ordination Committee of handing over the buying to a central organisation but it was their desire to get, if possible, reciprocal internal inter-trading."³

Thus, the problem of a CWS Ltd preoccupied with its retail consumer societies and settled in its view that production was its responsibility and more - that it did it better than the small productive societies - was compounded by a failure in these small societies themselves to unite their common interests where there could be a clear commercial advantage. Probably, there would be considerable disparity in the relative size of these productive societies. The smaller ones probably lacked the managerial time and capacity to unite, and

2. *ibid* pp9-10

3. *ibid* pl0

the biggest ones were able to get the best buying terms on their own account and saw no advantage in collective action.⁴

Below is an extract from Table 4 in Derek Jones, 'British Producer Co-operatives'⁵

Table 10.1: CPF Ltd Membership and their Aggregate Sales Figures

	CPF Ltd Membership	Membership Sales £m
1945	44	3.09
1950	37	5.71
1955	32	5.24
1970	8	1.75

These figures give a dramatic illustration of the decline of these productive societies in the post war period. It should be mentioned that other productive societies remained who were not in CPF Ltd membership but the above table represents a substantial proportion of all these types of productive society and illustrates a clear and general trend. Arthur Jupp, secretary of the CPF Ltd wrote, in what was to be the last issue of the CPF Co-operators Year Book in 1960, on the crisis that faced the CPF Ltd. In this article

4. This problem continues today. Davis P. Interview with Suma during MSC/LCP research programme 27.2.87. Suma felt that if the smaller wholefood co-operatives were to band together there would be an advantage to them but as far as they were concerned Suma got the best possible terms that were available without such collaboration.

5. Jones D. 'British Producer Co-operatives' in The New Worker Co-operatives, ed. K. Coates, Spokesman Books, 1976.

Jupp confirms the importance of the lack of co-operation between consumer and productive wings of the movement.

"....why during 1959, an organisation like the Co-operative Productive Federation which has been in existence for seventy-seven years should face a crisis which threatens its effectiveness and possibly its existence. Basically the cause is the increasing gulf between Co-operative retailing and Co-operative production. The decline in the degree of support coming from the consumers' societies has to a corresponding degree weakened the position of the Federation in relation to the Productive Societies..."⁶

Further Jupp implies that the consumer movement's own economic problems were leading to a decline in the support, such as it was, that had previously been forthcoming. Unfortunately such evidence tends to be of an anecdotal nature rather than supported by statistics relating sales to consumer societies declining and then followed by a decline in CPF Ltd membership. Jupp also went on to note the problems of inter co-operative trading. By this time the CPF membership and indeed all the other productive societies had become a tiny fragment in various non-related trading areas.

".....undoubtedly the Federation's task has been made difficult by the fact that Productive Societies themselves have been unwilling to 'pool' their efforts to the extent demanded by prevailing circumstances. Whilst those societies follow the same general pattern of organisation and pay, at least, lip-service to the same principles, they are engaged in a variety of industries

6. Jupp A E. 'The Past Catches Up' in Co-operators Year Book 1960, PCF Ltd, Leicester 1960, p34

and even where occupied in the same industry find themselves competing for trade. Perhaps, in these circumstances, it is the cause for some surprise that a combined organisation has existed for threequarters of a century with so little internal friction. Recently-established Productive Societies, reliant as they are upon support from non-Co-operative organisations sometimes find it polite to 'play-down' their Co-operative association and so still further limit the area in which action can be taken by the Federation."⁷

Arguments about subscription levels and the failure of the CPF Ltd to appear of any relevance to its larger affiliates took its final toll of the organisation. Jupp explains the basis of the financing of the CPF Ltd and the failure of the joint invoicing scheme to commend itself to the larger productive societies.

"To cover costs of collection and accountancy a commission of one half of 1% (10/- per £100 of trade) was paid by the Productive Societies to the Federation. For many years, even after payment of all expenses and the return of a rebate of 20% of the commission charged, a balance remained to help finance the general Federation activities.

Had the Joint Invoice Scheme been fully and continuously supported by all productive societies the financial difficulty which hit the Federation about the middle of 1958 would not have materialised. Gradually certain accounts were 'withdrawn' from the joint scheme and these undoubtedly were the larger accounts of the individual Productive Societies and, eventually, the basis was so weakened that intimation was given to the Federation that, in future, some Productive Societies would be dealing with all their retail society customers directly and so would not be using the Joint Invoice facilities. The loss of these, the larger productive units, meant a sudden and drastic reduction in the balance of commission now available for the general work of the Federation,

making it necessary to bring subscriptions into line with the cost of activities."⁸

The rise in the subscription rate then became the occasion for those larger societies to cut their overheads still further by leaving the CPF Ltd.

"Only after the majority decisions were known did they intimate that their opposition was so strong that they refused to accept the majority decision and were withdrawing from membership of the Federation."⁹

It is easy for committed enthusiasts for worker co-operation like Jupp to complain about this action but the fact is that all the co-operative businesses were in real terms, that is relative to their industrial sectors, small firms. They were all (large and small) undercapitalized and under threat. The CPF Ltd was so caught up in the recognition of itself as part of the co-operative and labour movement that it looked for support and subsidy for development almost solely from those sources. But the movement failed to oblige the CPF Ltd and hence its inability to offer an effective service to its membership. Had it been less political and more commercial it might have found an alternative strategy to this continually unrewarding course of action.

The minimal interest in the worker co-operative movement during this period of CPF Ltd leadership is

8. *ibid* pp35-36

9. *ibid* pp37-39

evidenced in the very limited share capital holding the Trade Union Movement made towards these Societies.

Alfred Perkins in a statistical review of CPF membership in 1958 wrote;

"Taking all the groups together the distribution of share capital amongst the different types of shareholders is as follows:

Table 10.2

	No.	Amount £	%
Workers	2,573	150,733	22.00
Co-op Societies	3,460	273,580	39.00
Trade Unions	35	13,182	1.90
Others	4,910	247,213	36.00
	-----	-----	-----
TOTAL	10,978	684,708	100.00
	-----	-----	-----

Other shareholders include ex-workers, many of whom still retain their shares. The small amount held by trade unions will be noted."¹⁰

It is clear that 1960 marked the beginning of the end for the CPF Ltd. The economies it was forced to make sapped its vitality and ability to respond to the challenges that lay ahead. T Gwinnett, the CPF Chairman, addressed the Federation's 1960 AGM.

 10. Perkins, Alfred R. 'The Co-operative Co-partnership Productive Societies in 1958. A Statistical Review in Co-operators Year Book 1960, CPF Ltd, Leicester 1960 p80

"The year 1959 witnessed the most serious testing time that the Federation has had to face in its history. We came out of that period weakened in membership and financial backing. Decisions taken earlier this year have endeavoured to adjust the activities of the Federation to the new circumstances. As you have been informed the last issue of the Co-operators' Year Book has already been published; the last number of the Co-operative Productive Review will appear this month and the last issue of the Congress Souvenir will be circulated this coming Whitsun and staff reduction decided upon at the Special General Meeting on 6 February 1960, will have to be implemented."¹¹

Spurned by the Consumer Co-operative Movement, ignored by the Trade Union Movement, the CPF Ltd and its membership lacked the cohesion or capacity to survive on their own resources. In the mid 1960s with the election in 1966 of a second Labour Government, and the first to ever increase its majority, the CPF Ltd turned to the only source of possible salvation left to it - the Labour Government led by Harold Wilson. Wilson had back in 1953 addressed the Thomas Blandford Memorial Lecture (Blandford had been the first and only really successful secretary the CPF ever had) in Leicester. In a report on the current state of workers co-operation published by the CPF Ltd in 1966 the Federation lost no time in reminding the Prime Minister of his earlier expressed sentiments about workers co-operation.

"The need of capital by the Producer Co-operatives and the attitude which the state could adopt to this problem had, however, become already clearly indicated by

11. Gwinnett T. 'CPF AGM - Chairmans Address' in The Co-operative Productive Review Vol.35, CPF Ltd, Leicester, April 1960 p79

the Rt.Hon. Harold Wilson OBE, on November 28th 1953 when he delivered the 13th Blandford Memorial Lecture at Leicester.

There is a particularly fruitful field for development said Mr Wilson on that occasion, 'in those industries which by their nature or by their history are too small and fragmented for central control.... ..The extension of Co-operative Production is inhibited in many cases by lack of finance and capital development. Here I believe the state can help.... In more direct ways, too, the Labour Government accepted the principle of providing capital or financial assistance to co-operative productive groups."¹²

This report, marked Strictly Private and Confidential, was sent to Mr George Darling at the Board of Trade. The report itself was by its complete failure to itemize a single project or programme for consideration by the government, bound to fail in its stated objective which was:

".....to approach the Board of Trade for financial aid from the Industrial Re-organisation Corporation"¹³

The report does however provide further evidence of the impact that the further decline in the Consumer Movement was having on CPF members. The search for new non-co-operative markets was making "re-organisation imperative"¹⁴ However, the continuing dependence on what had become a shrinking market was very apparent in the figures disclosed by the report.

12. CPF Ltd. Industrial Co-operative Producers and the National Plan CPF Ltd, Leicester, 2nd May 1966 paras 32 and 33.

13. *ibid* pl foreword

14. *ibid*, para 18

"The Co-operative Union Report to 1966 Co-operative Congress regarding Dry Goods Sales states that "the position in the production of footwear would have been worsened had not the productive societies developed their trade outside the Co-operative Movement. Footwear Sales made by the productive societies through other than Co-operative agencies now account for 40% of their total output. The sales of CPF member societies in 1965 were as follows -

Table 10.3

Trade	No of Factories	Sales to Retail Co-op Socs. £	Sales to outside the Co-op Movement £	Total sales £
Clothing	6	1,794,200	159,536	1,953,736
Footwear	9	1,220,380	804,449	2,024,829
Printing	3	91,265	47,404	138,669
Engineering)	2			
Professional)	1	91,324	426,591	517,915
		3,197,169	1,437,980	4,635,149"

15

On the question of the problems of undercapitalization and the return on capital employed the report made comparisons with the co-partnership movement of seventy years before. In 1894 108 societies had share capital of £639,884 whilst in 1964 23 societies had a share capital of £510,605. Allowing for inflation rates in the intervening period the implication is that in real terms the average value of capital invested in each society had declined. The report also noted that net

surplus as a return on sales in 1964 was running at 3.5% when in 1894 it had been around 5%.¹⁶ The follow-up meeting between a delegation led by James Leonard from the CPF Ltd and George Darling and his aides from the Board of Trade proved to be cordial but unproductive, particularly in the area of possible capital assistance from the Government's Industrial Re-organisation Corporation. A confidential report to the CPF Executive on the content of this meeting in October of 1966 contained the following passage:

"Discussion on the Industrial Re-organisation Corporation disclosed difficulties..... Mr Darling did explain that the new corporation's fund might in the first instance have to be applied to large merging organisations."¹⁷

In the event the CPF Ltd were offered no government assistance as a result of this approach. They clearly lacked the internal expertise or finance to identify a project and carry through a feasibility study. Possibly their membership also lacked the vision or the will to pursue the matter. One can only imagine the frustration Leonard and his colleagues must have felt at the formation and financial support offered later to the Benn Co-operatives. An apparent reference to these ventures is to be found in one of the last pamphlets produced by the CPF Ltd dated 12.8.74 which refers to

16. *ibid* paras 35, 36 and 37

17. Leonard James Confidential Report to CPF Executive Committee Members CPF Ltd, Leicester 18.10.66, p2

government help for local worker initiatives, arising often out of threatened factory closures, the pamphlet notes,

"In some cases, governmental support is secured in spite of adverse professional feasibility assessments....."

If this situation should remain unchallenged the association of the word 'co-operative' could become inextricably involved with the notion of 'lame duck' economics, which, for over a century, the Co-operative Movement has always rightly resisted."¹⁸

In this thinly veiled attack on Government Policy towards the 'Benn Co-ops' as they became known there was of course a great deal of truth as the next few years of collapse at Meridan, KME and Scottish Daily News proved. Nevertheless, it was singularly inept to publicly attack the one labour minister with a positive attitude towards worker co-operatives and money to spend on them.

The Annual General Meetings of the CPF Ltd during the 1970s bear witness to its continuing downward spiral. In 1972, in the 90th Anniversary Year of the CPF Ltd, only four societies were represented. Queen Eleanor Ltd, Equity Shoes Ltd, St Crispin Footwear Ltd and Derby Printers.¹⁹ The CPF Ltd carried on until 1980 when on Tuesday 3rd June the Executive wound the

 18. Leonard James Industrial Co-operation. A Co-operative Co-partnership Policy Statement CPF Ltd, Leicester, 12 August 1974, ppl-2

19. CPF Ltd, Annual Report of the AGM 1972 CPF Ltd, Leicester 1972, Item one 'Attendance' in the Minutes

organisation up and transferred its membership and other engagements etc to the Co-operative Union. In return,

"The Central Executive of the Co-operative Union had undertaken to establish a Productive Committee, which will meet regularly and which will represent the productive society members of the Co-operative Union. This committee will comprise representatives from these societies. With the agreement of the CPF members who were present at the meeting, and because of the involvement of the holiday season it is not envisaged that the first meeting of this Committee will take place until September and I will be contacting you again nearer that time."²⁰

If any basic lesson can be drawn from the final period of CPF Ltd decline it appears to be that if economic self interest either by CWS Ltd or the larger worker co-operatives runs counter to the principle of inter-co-operative solidarity and inter trade then the latter loses out to the former. Further it is clear that shortages of capital, pressure on profits and competitive pressures between co-operatives cannot be overcome by simply creating a Federal Structure and placing officers in post who are committed to its ideals. The officers of CPF Ltd may well have felt let down (and not without some good cause) by the wider labour movement as well as by their own members but the absence in the records of any solid, or even vague, proposal as to how to develop the commercial cohesion

20. Co-operative Union Ltd, Circular letter to existing productive co-operative societies in membership of the Co-operative Union. Co-op Union Ltd, Manchester, 18 June 1980

and vitality of these businesses by the CPF leadership must in some large measure be said to have contributed to the organisation's ultimate failure.

Yet it would be premature to write off this form of Co-partnership Co-operative. For one thing it does provide a structure upon which a secure equity base can be built. The problem was not that bureaucracy stifled workers democracy but that the outside shareholders were more concerned with taking surplus out of the businesses than with investing fresh capital into them. This is perhaps hardly surprising when one reflects that a substantial proportion of these outside shareholders were retail co-operative societies who had in the main committed themselves to co-operative production through their own wholesale secondary society, often in direct competition to the Co-partnership Societies. The problem of undercapitalization still persists. The CPF Ltd is no longer in existence but today the national CDA has developed model rules for Equity Participation Co-operatives (EPC) with formal line-management structures along very similar lines to the CPF Ltd Co-partnership line-management structures. The EPCs have generated considerable debate because the national CDA envisages private capital investment and worker participation in the capital gain through their shareholding. The original Co-partnership concept had capital invested from 'within' what was considered the Co-operative and Labour Movement. This departure

towards private capital markets begins to blur the distinction between a worker co-operative and a profit sharing private company.

The CDA describe the EPC model and its potential applications in their Annual Report for 1985.

"Equity Participation Co-operative (EPC). An EPC is a co-operative registered as a company limited by guarantee which acquires and manages a block of shares in a conventional share company on behalf of the company's employees. It represents its members interests in that company by electing some, or all, of its directors.

This form of co-operative can be used as:

- i) a method of organisation particularly suitable for a group of like-minded persons who wish to set up business together;
- ii) a method for employee purchase of an existing business;
- iii) a vehicle through which eventually to convert an existing company into an employee controlled company - a co-operative;
- iv) a method of managing an employee shareholding;
- v) a vehicle into which activities carried on by a public authority can be devolved to the workforce."²¹

Today there are few co-operatives operating using the new CDA EPC model rules. Interestingly, the model has received a limited endorsement from Paul Derrick who was the CPF Ltds last secretary from 1977 to 1980.

"Perhaps such an enterprise should not be called a co-operative at all if neither the co-operative principle of a limited return on capital nor the principle of equal voting

21. CDA. Annual Report and Accounts, March 31st 1985,
CDA London 1985, p14

apply in the enterprise as a whole. Nevertheless, it seems to be a very interesting way in which a kind of joint venture could develop into a workers' co-operative. It could provide a commitment for an enterprise launched on a more or less conventional basis to develop later to a fully co-operative basis. It could provide a way in which established companies could convert to a co-operative basis. And it could in time lead to a major increase in the number of workers' co-operatives." ²²

The key difference between a CPF style of co-operative is that voting is not on the basis of the amount of shareholding as with the EPC. But substantial shareholders did have the right to appoint the majority of the Board of Management (see Ch 5 Sec 5). Also these co-operatives still adopted formal line-management structures.

Whether or not some variation of the Industrial Co-partnership Co-operative Society does re-emerge there is no question that at present the most important sponsoring body, ICOM promotes a set of model rules which does not permit outside shareholding or non-worker member voting rights and to date the Registrar of Friendly Societies refuses to allow productive co-operative societies to issue non-voting redeemable preference shares,

"....on the grounds that the British Industrial and Provident Societies Acts tend

22. Derek, Paul. Capital for Worker Co-operatives unpublished Seminar Paper presented at London Co-operative Training Seminar on Equity Participation Co-operatives, London 3rd October 1986, p6

to identify shareholding with membership and that members should have votes."²³

In addition, although there are ICOM co-operatives with formal line-management structures such as Scott Bader Ltd, KER Plant Hire Ltd and Trylon Ltd the majority of ICOM co-operatives adopt the idea and practice of collective management. Malcolm Lynch the convenor of the ICOM Legal Working Party wrote in 1986 an ICOM Draft Position Statement on Equity Participation Co-operatives;

"However, the EPC is in direct breach of the co-operative principle of giving an investor a limited return on capital.

In the way the EPC is promoted by the national CDA, the co-operative management structure and co-operative philosophy of working take second place to obtaining finance. In the long term, the promotion of an EPC in this way is unlikely to lead to the EPC ever becoming a bona fide workers' co-operative."²⁴

In addition, it may be added, the judgement of the contemporary worker co-operative movement on its predecessors in the CPF Ltd is only marginally less severe. ICOM dislike and distrust formal line-management structures and they oppose any membership participation in a co-operatives equity preferring capital to be raised in the form of loans.

23. *ibid*, p3

24. Lynch Malcolm, Equity Participation Company, ICOM Leeds, 3rd October 1986 p1

10.3 The Industrial Common Ownership Movement

The immediate origins of ICOM can be traced back to 1951 when Ernest Bader determined to convert his privately owned chemical processing business into a common ownership enterprise - the Scott Bader Commonwealth Ltd at Wollaston, near Northampton.²⁵ Ernest Bader himself was influenced to take this step by his Christian convictions and his clear interpretation of what the application of Christ's teaching to industry meant. Whether Bader himself was aware of the Christian Socialists or the writings of William King is not recorded but the Christian impulse is clearly present here as it was at these earlier attempts to establish the principle that labour hires capital. By 1958 an organisation had come into being to promote and also to help to clarify the emerging ideas that the Scott Bader experiment generated called 'The Society for the Democratic Integration of Industry' or 'Deminty' for short.²⁶

Another example of the Christian influence on the early days of ICOM was the Trylon Community Ltd also in Wollaston, Northamptonshire (1968). Trylon was not a conversion like Scott Bader, but a co-operative

 25. ICOM This is ICOM. A description of 'The Industrial Common Ownership Movement', ICOM, Leeds, 3rd Ed. September 1975, p3

26. *ibid* p3

business founded and led by Roger Sawtell. Roger Sawtell is a man motivated by his Christian beliefs (he has made this clear on many occasions in public in connection with a further co-operative he has helped establish in Northampton - The Daily Bread Co-operative).²⁷ Another example of an early conversion of a private business to a common ownership company around this period motivated by Christian beliefs is Michael Jones Jewellers Ltd of Northampton (1970).²⁸ The presence of this strong Christian influence gives ICOM a clear link to the very roots of worker co-operation in the works of William King and later the Christian Socialists.

There was however, little understanding of this past history of workers co-operation at the time and little contact between the new movement and the last vestiges of the old CPF, even though the latter's headquarters were close to the these Northants based co-operatives being in Leicester. A number of PCF member co-operatives were still trading nearby. For example Queen Eleanor (Kettering, formed 1888), Equity Shoes (Leicester, 1886) and NPS Shoes (Wollaston, 1881).

A quotation from Mike Campbell (the ICOMs Hon Treasurer

27. Sawtell Roger, 'Bread and Roses' interviewed for Channel Four programme, Feb, 1987

28. Garnett, R G Dr, Worker Participation - Industrial Co-ownership Mitchell College of Advanced Education Bathurst NSW Oct 1980 p9

in 1969) reflecting on ICOMs early days sums up the position.

He wrote;

"The word 'co-operative' was seldom used. 'Commonwealth', 'Co-ownership' or 'Community' were preferred titles for a small group of collectively owned firms that were the core of embryonic ICOM. There were rumours of a pre-existing 'co-operative movement' but this seemed irrelevant since it consisted of relatively large retail shops griping senescently about declining market share and employing management methods²⁹ indistinguishable from their competitors."

There was mention of the formation of a joint research council between the CPF Ltd and Demintry in 1970 which was to publish a quarterly journal.³⁰ However little came of the contact and in 1972 the CPF Ltd Executive Committee reported a cessation of contact.

"Industrial Common Ownership Movement

Close contact has been maintained throughout 1971 with this group of co-partnership companies. However, upon the group name being changed, in June 1971, from the 13 year old 'Demintry' confederation, these companies have been fully engaged in refurbishing their joint organisation. Your Executive, therefore has decided to wait until the ICOM has completely re-established itself before re-considering the programme of joint³¹ collaboration previously proposed."

29. Campbell, Mike 'The Early Years of ICOM' in The New Co-operator Special supplement reviewing the passing of the Industrial Common Ownership Act 1976 to 1986, ICOM Leeds, 1986, p5

30. CPF Ltd Half Yearly Meeting Credentials and Documents CPF Ltd, Leicester, 14.11.1970, p3

31. CPF LTD, Report of the Executive Committee to the Annual Meeting, CPF Ltd, Leicester 20.3.1972, p5

After this there appears to have been no further serious efforts towards either joint working or even a continuing dialogue. By 1971 the Industrial Common Ownership Movement had five common ownership companies in membership. In the space of the next four years this number had grown to thirteen.³² The 1986 ICOM Annual Report put the membership at mid-August at 320 co-operatives, 60 promoting bodies and 150 individual members compared to a total registered membership at the end of 1985 of 450 co-operatives, 70 promoting bodies and 180 individual members. Although some subscriptions were still coming in it looks as if membership in all three categories will have dipped considerably particularly in the worker co-operative sector. Partly this may be explained by higher subscription charges and that the latter are now subject to VAT. But clearly the value of continued ICOM membership is being questioned by some co-operatives and according to the ICOM 1986 report as many as 75% of all registered co-operatives remain unaffiliated.³³

There is more than a little echo of previous CPF Ltd reports in the following extract from ICOM's Annual Report:

"ICOM maintains a loyal core membership of around one quarter of trading workers' co-operatives employing full-time workers, spread over all sectors and sizes. It is however disappointing that many small new

32. ICOM, This is ICOM op cit p2

33. ICOM Annual Report 1986, ICOM Ltd, Leeds 1986, p2

co-ops apparently don't see the value in renewing their subscription, or think that ICOM doesn't need the money. This is very far from being the case. In fact, in terms of financial survival, healthy representative democracy and the unity of the movement in the face of external political forces, ICOM needs its members' support more than ever. In a very real sense, ICOM is what its members make it."³⁴

ICOM have to be cautious, because CDAs (promoting bodies) are nearly all affiliated to ICOM and represent, when united, a powerful lobby within the organisation. Yet there is little doubt that ICOM would be a more representative body were it not for the existence of these local, mostly municipally funded and Urban Aid Funded, development agencies.³⁵ Having grant funds, consultancy and training services locally available, ICOM must seem to most co-operatives to be distant and irrelevant to their situation. Most local CDAs recommend ICOM model rules but only a few like Leicester and County CDA actually encourage their local co-ops to affiliate to ICOM. Yet as the new worker co-operative movement matures and those surviving co-operatives grow so regional and national trading issues and needs arise which will require a nationally based support organisation. ICOM clearly recognises the coming challenges.

34. ICOM Annual Report 1986, ICOM Ltd, Leeds, 1986 p2

35. Cornforth C and Lewis J, The role and impact of local co-operative support agencies Monograph No 7, Co-operative Research Unit, The Open University, Milton Keynes, 1985. 33 out of a sample of 36 Co-operative Support Agencies were publically funded by local authorities.(p5a)

"We shall be looking particularly at the larger, stronger co-ops to provide a lead. Whilst a tremendous amount of effort goes into the setting up of new co-ops, it is in the development of direct benefits to established co-operatives that much work remains to be done." ³⁶

It is in the provision of continuing support to growing co-operatives that local CDAs are poorly equipped to handle and in most cases are required by local authorities to concentrate on the promotion and job creation dimensions of co-operative development. At this level ICOM remains unrivalled and the Report of the (ICOM) General Council for 1986 reflects a growing if cautious optimism.

"The period has seen a marked improvement in the financial position of the Movement. The Movement achieved an overall profit after taxation of £23,941 during the period, reducing its accumulated loss from £17,410 to £2,452. Membership and trading income has shown a 15% increase, and women's Link-Up and the ICOM Pilot Programme have both operated at a surplus. Total turnover trebled during the period to £610,000.....

Overall, the Movement has established a secure trading position during the period, and is now able to consider expanding its administrative and servicing base. Though the legacies of the past, when the economic base of the worker co-operative movement in Britain was weak, and ICOM itself was over-committed, are still reflected in the accounts for the period, the foundations of continued security and growth have been laid."³⁷

These developments are to some extent being paralleled

36. ICOM Annual Report 1986 p2

37. ibid p16

by the development of ICOF Ltd which remains ICOM's Financing body. Originally financed by Central Government funds, which have nearly been exhausted, the organisation has achieved some success in managing revolving loan funds for local authorities and is expanding its work in this area. A more exciting development is ICOF's launch in 1987 of a new company to raise a fund of a quarter of a million pounds worth of loan stock for worker co-operative investment.³⁸

With this brief note on the decline and death of CPF overlapping the birth and growth of ICOM we have concluded our account of the post-war worker co-operative based promoting bodies.

There remains however the contrasting philosophies of CPF and ICOM. The points of contrast can be said to reside in two areas. Firstly the role and meaning conveyed by the term professional management and collective management within co-operative organisations and secondly the issue of member participation in the equity growth of a co-operative together with the role, if any, of outside shareholders. The first of these issues - that of the form of management within the Co-operative has in practice as many solutions as there are different co-operatives. All co-operatives however operate along a continuum as expressed in Table 10.4 (Management Structures in Co-operative and Private

38. ICOF Ltd. Offer for Sale of Co-operative Shares, ICOF, Northampton, April, 1987

TABLE 10.4 Management Structures in Co-operative And Private Sectors

<p><u>Private Sector</u> (Large/Medium Size) Line management hierarchy plus management services and functional specialisation. Often divided into Trading Divisions. For variations see G A Cole, <u>Management Theory and Practice</u>, 2nd ed., D P Publications Ltd., Eastleigh, Hants, 1986, pp150-167.</p> <p><u>Answers to Controlling Investors.</u></p> <p><u>Example: House of Fraser</u></p>	<p><u>Worker</u> <u>Co-operative Sector</u> (Large) Mode 1: CPF Style Management structure as per private sector. <u>Answers to Shareholders AGM of worker plus outside shareholders on basis of one member, one vote.</u></p> <p><u>Example: Equity Shoes Ltd.</u></p> <p>Mode 2: ICOM Style <u>Dual Structure</u> Management hierarchy and functional specialism retained with a committee structure to check management authority based on worker members.</p> <p><u>Answers to employee members at AGM. One member, one vote.</u></p> <p><u>Example: Scott Bader Ltd.</u></p>	<p><u>Private Sector</u> (Small) Mode 1 Owner-Manager Covers a wide range of businesses from sole proprietorship with small staff where all managerial functions are concentrated on the individual manager/owner to small quoted companies based in a single sector, where line management and functional differentiation occurs.</p> <p><u>Example: Britannia</u> (See <u>Financial Times</u>, Tuesday May 5th 1987 p25)</p>	<p><u>Worker</u> <u>Co-operative Sector</u> (Small) Mode 1 Single Manager <u>Designated General Manager</u> controlling employees activities organised along functional/departmental lines.</p> <p><u>Answerable to regular general meeting of members, one member, one vote and in between to a management committee of elected worker members.</u></p> <p><u>Example: KER Plant Hire (Co-ownership) Ltd.</u></p> <p>Mode 2 Collective <u>Management</u> Management decisions taken collectively at the weekly members meeting. Job rotation practised. Little specialization, no hierarchy.</p> <p><u>All members equilly answerable to the group. Decisions ideally by consensus.</u></p> <p><u>Example: Dancing Cat Trading Co-operative Ltd.</u></p>
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Sectors). Each category has a number of variations which would be impossible to describe exactly. Broadly, Table 10.4 encapsulates the main lines of approach to both co-operative and private sector solutions to the issue of ownership, management and control. Whereas ICOM, does not permit outside shareholders, CPF co-ops do, ICOM emphasises collective decision making and frequent accountability to the collective membership; the CPF emphasises professional management with worker representation at Board level and final accountability to all the members (majority being employees in most cases). This challenge to find a broad consensus on co-operative management philosophy and techniques which can facilitate the growth of small co-operatives operating in the 'collectivist' boxes into larger concerns where the requirement of functional specialization creates ever greater management tasks of co-ordination and direction has yet to be met.

The issue of raising finance for co-operatives and the differing approach of the CPF type of co-operative and the ICOM co-operative will be postponed until Chapter 11. In Chapter 11 the whole question of Finance will be considered as the problem, the solution of which will determine the possibility for a viable co-operative sector to emerge and compete effectively within the capitalist system.

Finally let us examine ICOMs seven principles in

contrast to the national CDAs own interpretation of co-operative principles.

"ICOM Principles

The following seven principles define a Common Ownership Co-operative within the context of the 1976 Common Ownership Act, and current practice.

1. The enterprise is owned and controlled by its members.
2. Only people employed in the enterprise may be members.
3. All people employed by the enterprise have the right to be members.
4. Capital is employed in form of loan stock or re-invested profits and carries no element of control.
5. That profits are either: re-invested in the business, used to assist other common ownership enterprises, used for social or charitable purposes, or are paid as a bonus to members. In the event of a bonus being paid members should be rewarded equally.
6. In the event of dissolution the members cannot benefit from distribution of residual assets.
7. In carrying out its business the enterprise: "shall have regard to promoting the physical, mental and spiritual wellbeing of the community and especially those who participate in the activities of the co-operative by reason of employment in or purchasing from or selling to the co-operative and to assist people in need by any means whatsoever."(ICOM Model Rule 2(b))".³⁹

"Co-operative Development Agency

The following co-operative principles come from the recommendations of the ICA Commission on Co-operative Principles to the 23rd Congress in Vienna in September 1966.

39. Fitch, Tom "The People's Birthright" in The New Co-operator, Special Supplement reviewing 1976-1986 period, ICOM, Leeds, 1986, pl0

The CDA uses these principles as its guide to what is a Co-operative.

1. Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.

2. Co-operative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

3. Share capital should only receive a strictly limited rate of interest, if any.

4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows:

(a) By provision for development of the business of the Co-operative;

(b) By provision of common services; or

(c) By distribution among the members in proportion to their transactions with the society.

5. All co-operative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of Co-operation, both economic and democratic.

"6. All small co-operative organisations, in order to best serve the interests of their members and their communities, should actively co-operate in every practical way with other co-operatives at local, national and international levels."⁴⁰

It is note worthy that the CDA principle number 4 itself represents a distinct change of emphasis from that which Arnold Bonner gave it in 1961 when it was headed "Dividend on Purchases". The sub para 4c makes reference to this possibility last in its reference to "in proportion to their transaction with the society" but as Bonner himself pointed out,

"The ICA stated it as, "in proportion to their contribution to the operations of the society - whether by purchases, deliveries or produce, or labour"."⁴¹

ICOMs principle 5 covering this area calls for a bonus to members to be equal for each member rather than proportional. But then ICOMs principle 2 has already limited membership of societies to employees and Tom Fitch explains the point,

"Bonuses from profits (Principle 5) are equal since skill levels, hours worked, and effort can be rewarded through the formal pay structure. The co-operative is able to set appropriate rates of pay for each job or agree any other arrangement such as payment according to need or equal pay for all employees."⁴²

40. CDA, Annual Report and Accounts, March 31 1985, CAD, London, 1985, p41

41. Bonner, Arnold British Co-operation, op cit, p304

42. Fitch, Tom, op cit, pl0

On the issue of how much control members have as a result of their holding of share capital it is clear from both sets of principles that one member one vote is the basis of control. One is forced to question the validity in co-operative terms of ICOMs principle 4. If loan capital is the main source of finance then co-operatives must find funds from the Private Sector Banks or from publicly funded grants/loans through bodies such as Local Authorities or Industrial Common Ownership Finance Ltd. The latter's rates of interest are currently 12% - lower than most commercial loans but hardly in line with the philosophy of "strictly limited rate of interest, if any" in CDA rule 3. It would appear that this ICOM principle 4 can only be fully adhered to if either governments subsidize co-operative investment or else the members and supporters put up the equity themselves. Ethical investment may give ICOM co-operatives some extra option in their search for cheap sources of loan capital.

Clearly the ICA based principles in the CDA statement are an attempt to embrace all forms of co-operative business organisation, whereas the ICOM statement applies strictly to worker co-operation as their rule 2 clearly states. Yet it is equally clear that ICOM rules are more than simply a narrow statement of the same principles relating to a single form of co-operative. They re-state two of the fundamental principles enunciated at the 1832 Congress by William

Pare and others that it is Labour that hires Capital - ICOM rule 2; and that nothing in the surplus was to be divisible - ICOM rule 6 (see Ch 3). However ICOM's rule 5, whilst not encouraging the payment of bonuses, does permit it. Nevertheless the concept of equal payment of bonuses taken together with Tom Fitch's earlier quoted remarks has more than a little in common with the pronouncements on equality of earnings by the English Labour Economists (see Ch 7).

CDA principles 5 and 6 make it clear that co-operatives and co-operators do not see themselves as existing purely for their own benefit but for each other's benefit and for the greater good of society at large. This point has its parallel in the ICOM rule 7 but the ICOM rule talks not of "education" and "interests" but in terms of "physical, mental and spiritual well-being" and thus takes worker co-operation back squarely to the "Owenite" notion of developing the whole personality and character of humankind. This was central to Owen's humanistic vision as it was to the Christian conscience of William King and later to men like Neal and Ludlow. In ICOMs close links with the movement towards alternative lifestyles, wholefoods, and the search for an ethical commerce; this strand of the co-operative movement has unconsciously returned to Co-operation's Owenite and Christian Socialist roots.

10.4 The Growth of Co-operative Support Organisations

The term Co-operative Support Organisation includes but

is not synonymous with the term Co-operative Development Agency. According to the national CDA by 31 March 1985 support bodies were active in 101 areas of the country. Of this number sixty-one received direct local authority funding. The figure of one hundred and one support bodies also does not include some seventeen local authorities that run co-operative development units or employ specialist staff to work with co-operatives. Overall there are one hundred and fifty-three organisations/agencies listed as offering help and advice to worker co-operatives in the 1986 National Directory of New Co-operatives. In addition the directory listed a further twenty-seven national or regionally based training, consultancy, financial and governmental bodies offering services for worker co-operatives. Many of the one hundred and fifty-three organisations listed are working in the area of community and new small business development, including co-operatives. The rest are either voluntary groups trying to establish funding for a CDA or local government specialist departments/offices. We can say therefore that approximately one third of all the agencies listed could be referred to as specialist Co-operative Development Agencies. A typical local CDA has between 2 and 4 full-time workers and is funded by a mixture of local and central government funds.⁴³ They

43. Cornforth, C and Lewis J, The role and Impact of local Co-operative support organisations, CRU Monograph No.7, Open University, Milton Keynes, 1985, pp5a-6a

are loosely controlled in the main by management committees with a variable mix of worker co-operative representatives, individuals, and local councillors. In Leicester and County CDA all the development workers sit in on the management committee meetings with speaking but not voting rights.⁴⁴ Real influence in Leicester, when the author was a member of the Management Committee, tended to reside in the Chairman whose position as Chairman of the Local Authority Employment Committee and his position on the Finance and General Purposes Committee ensured his voice was crucial in the securing of funding. The Development Workers have formed themselves over a period of two years into an independent co-operative whose sole contract was to undertake the Co-operative Development Work for the Management Committee, which itself became a separate company responsible for managing the revolving loan fund and the grant-aid funds that had been established. This structure had the effect of preventing the LLCDA having any direct day to day control over the running of the agency staff. At the same time the presence of the CDA workers on the Management Committee of LCCDA ensured they had the

44 . Leicester & County CDA, Management Committee Rules
1986

ability to directly intervene in debate and decision-making concerning policy issues.⁴⁵ The Leicester structure may not be typical in this regard, but the existence of a Network of CDA workers with no corresponding body for management committee members can only serve to increase the influence and ultimate control of the former at the expense of the Management Committees. The survey conducted by Cornforth and Lewis (1985) found that;

"During the survey we were not able to examine the role of management committees in any detail, however, our findings do raise some question marks about the role they play and how much they are able to influence the direction of CSOs. We asked development workers how involved their management committees were in the day to day running of their agency and in policy making. Twenty-one committees were hardly involved at all with the day to day running of the support organisation, although where sub-committees had been formed, these were likely to be more involved..."⁴⁶

The answer to another question looking at the distinction between the formal position and CDA worker feelings on the question of accountability, Cornforth and Lewis (1985) found that;

"Nineteen felt formally accountable to their management committees, but only eight felt personally accountable to them."⁴⁷

45. Davis, P, Treasurer of LCCDA 1982-1986. First hand observation of the conduct of Management Committee Meetings

46. Cornforth and Lewis, op cit, p8

47. ibid p8

This is hardly the basis for the development of close working relations. Cornforth and Lewis do not appear to believe that management committees themselves are in a position to initiate a closer relationship themselves.

"Clearly if CDAs want an active and informed management committee they are going to have to put time and resources into involving and developing their committees."⁴⁸

Such a statement speaks volumes for the real relationship that exists between CDA workers and their management committees. It strongly suggests that real policy on development of worker co-operatives was taking place elsewhere. The "elsewhere" is difficult to identify from the outside but would appear to be the development workers themselves and to some extent their Network. Clearly the type of people recruited and their own perception and priorities have been very important, for as Cornforth and Lewis observed;

"In many cases workers appear to enjoy a good deal of autonomy."⁴⁹

Cornforth and Lewis in their survey found that;

"Particularly in the early days of CSOs it was common for staff to be recruited for their understanding of and sympathy towards co-operatives (see also CAG, 1984:146). General business skills and communication skills were also seen as important but secondary."⁵⁰

48 . ibid p9

49 . ibid p8

50 . ibid p7

In terms of attitudes to management Cornforth and Lewis noted from their survey that;

"Internally, the majority of CSOs are run collectively, with all workers taking part in important decisions. However, some CSOs do have a hierarchical structure, usually imposed by the local authority, although they often appear to be run in an open and consultative style. In a few cases the hierarchical structure was mentioned as a source of conflict by workers. It was sometimes felt that this form of structure was particularly inappropriate for an organisation that was promoting co-operatives."⁵¹

This would clearly create a model set by the CDA workers, for the forms of management and expectations as to how work should be organised within the co-operative. The policy of recruiting staff with commitment to and knowledge of co-operation would most probably lead to recruits with previous experience in working in a co-operative being given priority. Cornforth and Lewis did not produce figures for CDA Worker Salaries but had they done so they would have found an average income of between eight and nine thousand pa. In 1986 Leicester and County CDA workers were paid on the local authority voluntary sector grade, whereas the Small Firms Centre head received the salary of a Principle Lecturer at the Leicester Polytechnic (a rate figure almost twice that of a CDA worker in the same town). Not surprisingly CDA jobs would appear to attract people who were either

51. ibid p9

unemployed graduates with arts or social science backgrounds or else people who had worked in very small and sometimes unsuccessful radical co-operatives whose rates of pay were themselves very low. Recruits from these backgrounds would tend to be committed to anti-sexism, anti-racist and left socialist politics. The author's experience of working with Coventry CDA, Leicester and County CDA and Bedford CDA (Bedcoda) certainly found this to be the case. Once established such workers were not likely to recruit other people whose background did not fit an ideological perspective that was based in reality on the narrow and relatively unproven terrain of alternative culture co-operatives. If this pattern is true in general then the priorities and shape of worker co-operative development will in no small measure reflect it.

The development workers' influence will be all the greater as the people they are working with have little to no business experience themselves, and there is no doubt that the development workers view of "co-operative working" has been made a priority.

"In addition CSOs have to develop the groups' skills at working co-operatively."⁵²

Cornforth and Lewis commenting on "problems" development workers faced in dealing with larger co-operatives noted that,

52. *ibid* pp22-23

" 'Defensive' co-operatives, particularly if they are large, can be very demanding in terms of the development workers' time and skills. As well as the problems of trying to identify and plan a viable business, the development worker also has to introduce co-operative working practices within a very short period of time...

the bad publicity surrounding the failure of 'rescue' co-operatives such as KME and Scottish Daily News has probably served to put many development workers off promoting defensive co-operatives. In addition some development workers we interviewed were concerned about whether it would be possible to develop co-operative working in such difficult circumstances."⁵³

It may well be the case that the level of technical skill required to develop a successful business plan for large-scale business is beyond the ability of the average CDA worker. However these comments above suggest that at least as important is the hostility such people feel to forms of management which are at variance to their small scale collectivist model.

When confronted with a relatively large manufacturing conversion - the Bitteswell Employment Alliance, neither Coventry nor Leicester CDAs on whose boundaries the Co-operative was based, found themselves able to work successfully. One development worker reported to the Leicester Management Committee that the Co-operative leadership would not listen to his advice on working practices or business strategy.⁵⁴ In fact the

⁵³ . ibid pp22-23

⁵⁴ . Davis, P, Unminuted report by a development worker to Leicester CDA Management Committee 1985

Leicester CDA asked the head of the small firms centre to look at both Bitteswell and another large co-operative, this time of the CPF generation, on their behalf.⁵⁵ Unfortunately the head of the Small Firms Centre in Leicester had little sympathy with co-operation and the attempt failed.⁵⁶

As a result of the political background of many of those instigating and working in CDAs the promotional priorities and recruitment policies have been in the main shaped by the political agenda of the left. Below is reproduced from Table 13 from Cornforth and Lewis' survey of the priorities of the development workers:

Table 10.5

From: Table 13: Development Worker Priorities

<u>Groups at which service aimed</u>	<u>No of times chosen*</u>
Unemployed	16
Women	16
Ethnic minorities	14
Youth	6
Inner City	3
Trade Union members	2
Disabled	2
Information technology projects	1
No particular groups	7

* (each CSO could choose as many groups as they wanted to)⁵⁷

Such priorities may help short term political expedients at local and national level politics but the

55 . Davis, P, Interview with Mr R Thomas then Head of the Small Firm Centre in Leicester, 1985

56 . ibid pp 22-23

57 . Cornforth and Lewis, op cit, p16a

extent it is helping to build a viable co-operative sector is problematic. In their summary and recommendation, Cornforth and Lewis suggest that;

"policy makers and practitioners need to consider how they can attract more qualified and skilled workers, and people with professional and technical skills to form co-operatives. If not there is a danger that co-operatives will be restricted to the labour intensive, low skill sectors of the economy." 58

The author's own experience at Leicester and County CDA bears out the findings of Cornforth and Lewis in terms of the priorities of CSOs. There is little evidence in the Cornforth and Lewis survey or elsewhere to suggest that, Women or Ethnic Minorities have any predisposition to form co-operatives greater than other sectors of the community. Nor is the emphasis on women anything to do with unemployment. The overwhelming majority of long-term unemployed, are men and men outnumber women on the dole queues by roughly two to one. In Leicester the area of highest unemployment was "white" North Braunston, yet during its first few years of existence no effort was made to establish co-operative promotion on this estate yet at the same time leaflets were produced in three or four Asian languages and priority was given to recruiting black women. In fact none of the CDA staff during this period had any experience or inclination to identify with the traditional "conservative" white working class

in Leicester.

One key question Cornforth and Lewis sought to address related to how significant CSOs had been in the generation of worker co-operatives. The research in this area suggests, Taylor (1984) and Cornforth and Lewis (1985), that there is a very positive relationship indeed. In reviewing Taylor's research findings Cornforth and Lewis wrote that.

"This question was first addressed in the UK by Taylor (1984). He examined the growth of worker co-operatives between 1980 and 1982 when their number rose from approximately 300 to about 480. A comparison of the growth in numbers in areas with and without CDAs suggests that CDAs do have an important impact on the rate at which co-operatives are formed (Table 19). In areas without CDAs the number of co-operatives grew by 24%. By comparison the number of co-operatives in areas with CDAs grew by 131%. On the surface the growth in jobs in co-operatives is less impressive. In areas without CDAs the number of jobs in co-operatives declined by 7% between 1980 and 1982. By comparison the numbers of jobs in co-operatives in areas with CDAs rose by 56% (Table 20). However, the employment figures are distorted by the fact that in two areas with CDAs, Coventry and Lambeth, there were large co-operatives that failed. Both these co-operatives were in existence before the CDAs were formed. If these two areas are excluded from the calculations then employment in co-operatives in CDA areas rose by 181% between 1980 and 1982." 59

The difficulty with these sorts of comparisons is to ensure that you have eliminated all the other factors that could be influencing your results.

In their own survey of C.S.O performance Cornforth and

Lewis found that.

"However, there may be other factors that could also help to account for the differential growth of co-operatives between areas. Somewhat paradoxically our own survey suggests that higher rates of co-operative formation can be expected in urban areas with high levels of unemployment. For example CSOs in these urban areas had a higher formation rate of co-operatives than those in smaller cities and rural areas, with lower unemployment levels. This finding supports the view that many co-operatives are being created by the unemployed in their desire to create their own jobs."⁶⁰

However Cornforth and Lewis felt their results supported Taylor's findings.

"Evidence from our survey supports the view that it is CSOs that are the most important factor in the increase in the formation rate of new co-operatives. Only 10 out of 42 areas examined with CSOs had more than five co-operatives in their areas when they started. Once the CSO was formed all areas showed a steady increase in the number of new co-operatives that had been formed with their assistance. Combining these results suggests that only 23 out of the 450 new co-operatives formed in nearly 40 areas were formed without some assistance from a CSO. In addition development workers' emphasis on the importance of promotional work, and the intensive nature of development work suggests that they are a very significant factor in the formation of new co-operatives."⁶¹

However such findings are hardly surprising when one considers that the respondents were CDA workers rather than the co-operatives themselves. Nor did the survey conducted by Cornforth and Lewis involve people who had failed to get a co-operative established despite

60. *ibid* p35

61. *ibid* pp43-44

contacts with a local C.S.O. Perhaps the point made by Cornforth and Lewis that makes one feel most cautious concerning the impact of local CSOs is their finding that;

"There is no discernable relationship between the age of agencies and the rate at which co-operatives are formed. This fluctuates quite a lot between agencies, and between years of formation." 62

One would have expected the longer established CSOs to have developed greater expertise and experience. In which case, if CSOs are of decisive importance relative to other factors, one would expect a positive relationship between age of agency and rate of new co-operative start-ups.

To a large extent this type of discussion is sterile without an examination of the quality of employment, the numbers employed and the security of employment that is being provided by the new co-operatives. Also consideration needs to be given to the quality of CSO practices. Aggregated figures may hide disparities from one CSO performance to another which may well relate to policies concerning staff recruitment, working practices and promotional priorities which may vary quite widely between agencies.

Cornforth and Lewis came to several important conclusion concerning the strengths and weaknesses of CSOs.

"Strengths and Weaknesses of Local CSOs as a Means of Developing the Co-operative Sector"

The system of support and funding for worker co-operatives that is developing is highly decentralised. This decentralised system has a number of strengths:

1. The formation of many co-operatives requires intensive development work which is best carried out on a local basis so that there can be regular contact between the co-operative and the development worker.
2. It enables each local CSO to build up local knowledge and contact among institutions such as banks, local authorities, trade unions and other business advisory agencies which can be very important in the development process.
3. It can meet demands to form co-operatives in a large number of areas.
4. It recognises the fact that it is local Government that has been most responsive to the need to provide funds for co-operative development.

However, the system as it stands also has a number of weaknesses:

1. The emphasis on 'bottom-up development work with disadvantaged groups, coupled with the lack of financial resources, means that CSOs are primarily creating very small, labour intensive, independent co-operatives. This means that many co-operatives are economically vulnerable and have to struggle to survive the first few years. It also means that it is very difficult to create an integrated system of co-operatives which could be more self-supporting.
2. Local CSOs often do not have the skills and resources to deal with larger co-operatives.
3. The small number of co-operatives in a given sector in a local area means that it is very difficult to pursue sectoral initiatives.

4. There is a danger that effort is diluted." My emphasis⁶³

In a more recent appraisal of a CSO, in this case the Co-op Unit in the Greater London Enterprise Board between 1983 to 1986 the Co-operative Advisory Group produced the following statistics.

"Over a three year period the co-op unit in Gleb managed directly and indirectly £5.2 million. Of this sum £3.5 million (64%) was distributed directly or indirectly to 215 different co-operatives, in 20 different London Boroughs, in the form of loans, grants and other investments

Allowing for failures (19.4%) 91 new trading co-ops exist in April 1986 as a direct result of Gleb investments. These represent 62% of the growth in co-ops since 1983."⁶⁴

The survey found that 36% of the Gleb investment was in co-operatives operating for ethnic minorities or women. Non priority co-operatives ie. white male co-operatives made up the majority of the failures. It was suggested that one reason for this may be;

"... because they were less likely to receive external financial assistance after their initial funding."⁶⁵

However a further reason may relate to the priorities and commitments of the Gleb Co-op Unit development workers themselves. If the evidence of the earlier Open University survey holds true in London then it is

63. *ibid* pp43-44

64. Co-operative Advisory Group Co-operative Development at Gleb, Summary of the Report presented to the GLEB, June, 1986 p1

65. *ibid*, ii

likely that non-priority co-operatives would be given less development worker input as well as less external funding. Taking the London Co-operative Enterprise Board and the Gleb Co-op Unit together the number of existing jobs created in co-operatives over this time was 535 at a cost of £5,968 per existing job.⁶⁶ That is twice as high as the estimate of £2,400 per job that the survey by the Open University C.R.U gave.⁶⁷

There appears to be no doubt that in terms of numbers the intervention of government/local authority support has been vital. The priority in terms of promotion of co-operatives has been set by a mixture of pressures upon politicians to be seen to be acting on the issues of unemployment and discrimination. Yet numbers of co-operatives is hardly conclusive. The Mondragon Group in Spain employs roughly twice as many people as the 1000 or so worker co-operatives in the UK. Should the political agenda change then the rapid rise in worker co-operatives could just as dramatically go into reverse. It may well turn out that it is with the "23 out of the 450 new co-operatives formed" without the help of CSOs that the future of an independent co-operative sector lies. It is now time to examine the worker co-operative statistics to see whether the findings suggested by Cornforth and Lewis of a weak,

66. *ibid*, ii

67. Cornforth and Lewis, *op cit*, p 43

dependent and marginal co-operative sector with little potential for inter-co-operative co-operation reflects the reality.

10.5 The Worker Co-operative Sector today

The statistical evidence for this section is drawn from three main sources. Firstly, the CDA Directories for 1980, 1982, 1984 and 1986; secondly, from a questionnaire survey undertaken in co-operation with Industrial Common Ownership Finance Ltd (see Table 10.6);

and thirdly from other published research in particular that of Wilson (1980), Cornforth and Lewis (1985) and Stott (1986). Additional evidence will be referred to from two other co-operative research projects undertaken by the author. (Blue-print for Building Trade Co-operatives for the CDA (1985) and the Wholefood Trade Sector (1986-87) in an MSC local collaborative project entitled Secondary Co-operation MLA/123.) Finally evidence will, when appropriate, be presented from the direct experience of the author as a promotor and activist within two Co-operative Support Organisations - Leicester and County CDA (1981-1986) as Treasurer, and Industrial Common Ownership Finance Ltd as a Trustee (1986-).

Before publication of the 1986 Directory became available a computer based analysis was undertaken of the CDA Directories for 1984 and with some additions a data base was compiled of some 935 records of worker co-operatives. Each record held the following fields:

Sample Distribution Compared to
Co-operative Population at 1.6.1984

<u>Sectors</u>	<u>Total Number of Co-ops</u>	<u>Number In Survey*</u>	<u>Number Responses</u>	<u>Trading**</u>	<u>Not Trading</u>
Building & Constuction	67 (7%)	35	7	6 (10%)	1
Community Services	45 (5%)	Nil	Nil	Nil	Nil
Fishing & Agriculture	7 (1%)	Nil	Nil	Nil	Nil
Manufacturing	133 (15%)	88	16	12 (19%)	4
Services	445 (49%)	116	26	19 (31%)	7
Retail	190 (21%)	105	27	20 (32%)	7
Transport	5 (1%)	Nil	Nil	Nil	Nil
Wholesale	19 (2%)	10	5	5 (8%)	Nil
TOTAL	911 (100%)	354	81	62 (100%)	19

1. Percentages do not add to 100% due to rounding
2. The final sample of 62 trading co-operatives is 7% of the total population for all worker co-operatives. Community Services, Fishing and Agriculture and Transport sectors totalling 7% of all worker co-operatives were not included in the survey. Building, Manufacturing, Retail and Wholesale are over represented and Services under represented.

* See Appendix 2 for Questionnaire.

** See Tables 10.14 & 10.15

From CDA Directory 1984 and 1986

A Comparison of the Total Number of Co-Operatives,
Members and Workers at June 1st 1984 & June 30th 1986

<u>Trading Sector</u>	<u>Members</u>		<u>Workers Full-Time</u>		<u>Workers Part-Time</u>		<u>Number of Co-operatives</u>	
	<u>1984</u>	<u>1986</u>	<u>1984</u>	<u>1986</u>	<u>1984</u>	<u>1986</u>	<u>1984</u>	<u>1986</u>
<u>Building</u>								
Gen Building & Allied Services	421	306	282	259	61	46	52	79
Insulation	74	85	36	32	18	48	8	7
Miscellaneous	39	130	36	74	2	35	7	32
<u>Total</u>	<u>534</u>	<u>521</u>	<u>353</u>	<u>365</u>	<u>81</u>	<u>129</u>	<u>67</u>	<u>118</u>
<u>Fishing, Agriculture and Farming</u>								
Fishing, Agriculture and Farming	73	125	41	39	3	15	7	12
<u>Manufacturing</u>								
Chemicals	270	299	530	555	35	40	1	5
Clothing and Textiles	778	747	422	365	94	196	43	74
Crafts	57	28	10	13	23	2	8	16
Engineering	269	471	380	406	33	20	27	32
Food Processing	32	796	30	552	5	55	5	28
Footwear	936	875	476	395	24	9	8	7
Furniture & Woodwork	75	163	70	118	8	19	12	23
Office and Electronic Equip	-	5	-	1	-	2	-	2
Miscellaneous	549	322	692	266	27	22	29	46
<u>Total</u>	<u>2,966</u>	<u>3,706</u>	<u>2,610</u>	<u>2,671</u>	<u>249</u>	<u>365</u>	<u>133</u>	<u>233</u>

TABLE 10.7 continued

	<u>Members</u>		<u>Workers Full-Time</u>		<u>Workers Part-Time</u>		<u>Number of Co-Operatives</u>	
	<u>1984</u>	<u>1986</u>	<u>1984</u>	<u>1986</u>	<u>1984</u>	<u>1986</u>	<u>1984</u>	<u>1986</u>
<u>Services</u>								
Com. Ser & Job Creation	1,217	4,394	213	540	189	268	45	147
Architecture	133	138	82	96	28	26	18	22
Performing Arts, Film and Casting Agencies	708	2,203	283	354	189	317	65	108
Business, Professional	320	575	164	152	100	192	44	66
Research & Computer Software	81	157	24	38	66	111	13	30
Cleaning & Laundry	43	54	30	46	12	5	9	24
Landscape Design & Gardening	142	732	90	69	49	74	16	27
Education and Training	367	7,997	92	273	80	136	46	105
Media & Advertising								
Printing, Signwriting and Graphic Design	865	1,033	407	394	67	99	64	88
Publishing	1,535	345	110	124	63	71	25	39
Repair and Restoration	123	72	74	51	11	8	20	21
Vehicle Repair	89	63	63	50	17	6	27	19
Hotels and Catering	1,533	653	547	192	172	142	47	70
Renting and Hiring	-	53	-	59	-	4	-	7
Miscellaneous	3,264	1,225	732	343	106	89	98	88
Total	10,420	19,694	2,911	2,781	1,150	1,548	537	861
<u>Retail and Wholesale</u>								
Foods	479	1,806	249	458	148	220	66	100
Books and Stationary	485	375	140	136	95	152	38	42
Crafts	96	138	14	40	61	85	9	18
Clothing, Footwear, Fabrics	-	27	-	11	-	8	-	14
Miscellaneous	5,207	1,028	193	153	433	75	49	57
Total	6,267	3,374	596	798	737	540	162	231
<u>Transport Services</u>								
Taxis, Couriers etc	99	1,265	33	227	9	63	5	21
TOTAL	20,359	38,685	6,544	6,881	2,229	2,660	911	1,476

1. Name of Co-operative
2. Address
3. Trading Sector
4. Trading Activity or Segment
5. Sort Code
6. Date of Registration
7. Type of Registration
8. Number of Full-time Workers
9. Number of Part-time Workers
10. Number of Members
11. Special Interest Categories
12. Trading or Not Trading
13. Region

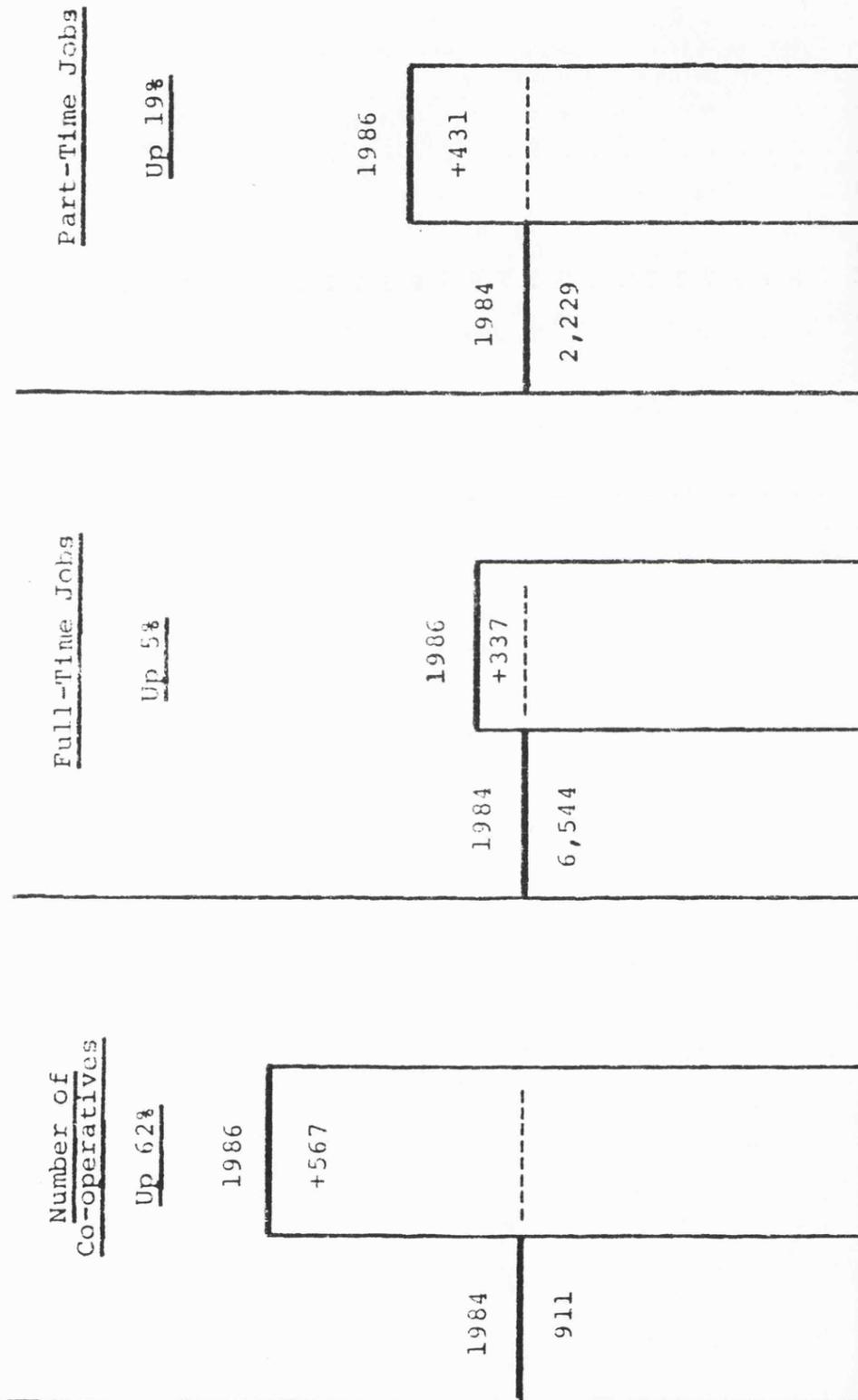
The Trading Sector Classification was based on the CDA Directory. Some eighty nine Trading Activities were identified (see Table 10.20) from the detailed entries made for each co-operative in the main body of the Directory. Four broad areas of special interest have been observed by the author namely Women, Ethnic Minorities, Disabled and Gay. Manipulation of the computerised records based on the 1984 Directory has facilitated the generation of additional data and made it possible to reorganise the 1984 Directory Table for Co-operative Membership, Workforce and Number of Co-operatives onto a basis that makes direct comparison with the 1986 Directory Table possible. This was made necessary because the CDA introduced a number of changes in the structure of the presentation of their data in the 1986 Directory. The CDA have combined the Retail and Wholesale categories in the 1986 Directory. In addition they removed from Retailing and placed in Services entries relating to Restaurants and Catering combined with Cafes and Hotels. Under the general sector classification of Manufacturing, Electronic

Engineering and Mechanical Engineering have been combined to form a single Engineering Sector and a new Office Furniture and Electronics sector has been introduced. Table 10.7 is the result of reorganising and combining these two tables drawn from the 1984 and 1986 Directories.

The result of an examination of Table 10.7 as it stands is that one is struck by five broad facts about the worker co-operative sector today.

1. Even allowing for its small starting base the expansion of individual worker co-operatives has been continuing at a very rapid pace - some 62% more co-operatives in 1986 than at the same time in 1984.
 2. A correspondingly disappointingly low rate of growth in co-operative employment. The number of full-time jobs up a mere 5% and part-time jobs up by 19%. See Fig 2.
 3. The very heavy concentration of co-operatives in the Services sector, some 58% by number in 1986.
 4. The relatively large contribution to co-operative employment made by co-operatives in the manufacturing sector where 15% of the co-operatives are listed which account for almost 39% of full time jobs.
- Interestingly they are slightly under-represented in part-time employment accounting for not quite 14% of the total in this category.

FIGURE 2 CO-OPERATIVE GROWTH 1984-1986 *



* Based on CDA Directory figures 1.6.84 and 30.6.86

5. The very limited representation of worker co-operatives operating in either capital intensive industries or sectors dependent on the application of science and new technology. If we take all the worker co-operatives listed under Engineering Chemicals, Office and Electronic Equipment, and Business, Professional Research and Computer Software sectors we have accounted for 7% of the total. However, this is certainly an overstatement of the position as most of the Business, Professional Research and Computer Software sector - with 66 the largest of the selected sectors - are engaged in non-technological or scientific based consultancy and are more general management and community/social science based in their activities. In 1984 only eleven co-operatives were operating services on the basis of computer applications. In 1986 this number had risen to 20. On this basis co-operatives based in science and technology based industries and services accounted for not quite 4% of all worker co-operatives. In the small business sector as a whole new technology based firms have been one of the most important growth points encouraged by policy makers. ⁶⁸

The CDA figures are perplexing in that even if you count 1 full-time job to equal 2 part-time jobs, there

68 Snoddy, Raymond, "Support likely to increase" in Financial Times Survey: Small Businesses 3 May 1983, p3. The British Technology Group had invested £3.5m in 64 small new technology based firms by March 1983

are less than 2 part-time workers for each co-operative on the register (see Figure 2). The answer is that not all the co-operatives registered are trading or if trading, are being run by volunteer/unpaid members. In the 1984 Directory the CDA included an entry of "not yet trading" beside some co-operatives. Unfortunately it has discontinued the practice in its 1986 Directory. In 1984 there were 83 such co-operatives or about 9% of all the entries. In the 1986 Directory there are over 500 co-operatives entered who have recorded less than two full-time equivalent staff in employment; the overwhelming majority of these 500 recording no staff at all. This is not a very good basis for comparison with the precise information on this for 1984. But clearly the number of registrations that have not gone forward into active trading when the information for the Directory was compiled has increased.

New start worker co-operatives when reviewed by Wilson (1982) were found to be characterised by the employment of,

"... high proportions of part-time workers at low rates of pay ..." ⁶⁹

Notwithstanding his pessimism concerning worker co-operative job creation potential Wilson found in a survey of 55 worker co-operatives that over their two

69. Wilson, Nicholas, "Economic Aspects of Worker Co-operatives in Britain: Recent Developments and Some Evidence", in The Economics of Worker Co-operatives, papers 10-14, The Plunkett Foundation for Co-operative Studies, Oxford, March 31 to April 2 1982, p64

or three years of life reasonable rates of growth had been achieved in most sectors. Both Table 10.8 and Table 10.9 below are extracted from Table 13b in Wilson (1982).

Table 10.8: Percentage Change In Employment Set-up To Current

<u>Industry</u>	
Printing & Publishing	+15.3%
Textiles/Related	+29.2%
Electronics/A.Tech	+42.3%
Manufacturing/Relt.	+30/7%
Chemicals/Plast.	+188%
Books	-27.2%
Wholefood	+16.3%
Builders	+49.0%" ⁷⁰

Table 10.9: Part-Time Workers As A Percentage of Total Employment

<u>Industry</u>	<u>Set Up</u>	<u>Current</u>	
Printing/Publishing	15.3%	8.8%	(-)
Textiles/Relt.	25.6%	21.6%	(-)
Electronics/A.Tech	15.2%	44.0%	(+)
Manufacturing/Relt.	50.9%	31.3%	(-)
Chemicals/Plast.	22.2%	23.0%	(+)
Books	72.7%	12.5%	(-)
Wholefood	58.1%	23.0%	(-)
Builders	31.9%	21.4%	(-)" ⁷¹

Wilson also found that the percentage of part-time employees to full-time decreased in all but two sectors.

It should be noted that Wilson's sample does not include co-operatives from the Services sector. This is the single biggest group of all co-operatives today and furthermore the Services sector is thought to utilize more part-time workers. In order to try to confirm Wilson's findings the author took as his sample all the 83 co-operatives registered as "not yet trading" in the 1984 Directory and checked their entry in the 1986 Directory. The distribution of the co-operatives across trading sectors and the number of survivals after two years is placed in Table 10.10 below. In the survivors group of 43 co-operatives,

Services are over represented in terms of their proportion to co-operatives in general. The sample included no transport co-operatives.

Table 10.10: Distribution of new start co-operatives in terms of trading sector at their start in 1984/83 and at 30.6.1986

<u>Sector</u>	<u>Number of Co-operatives</u>				<u>Mortality Rate</u>
	<u>Start 1984/83</u>		<u>30.6.86</u>		
Building & Construction	5	(6%)	4	(9%)	20%
Agriculture, Fishing & Forestry	1	(1%)	0	(0%)	100%
Manufacturing	16	(19%)	3	(7%)	81%
Services	46	(55%)	29	(67%)	36%
Retail	15	(18%)	7	(16%)	53%
Total	83		43		48%

It is safe to assume that the 40 missing co-operatives have failed representing a mortality rate overall of 48% although for manufacturing the mortality rate is over 80% in this sample. Of the 43 co-operatives left 12 still did not record any full or part-time workers and are presumed not to have commenced trading or to be still run on a volunteer basis due to lack of business. Of the remaining 31 co-operatives in the sample their total employment level for 1984 and 1986 for both full and part-time workers is given below in Table 10.11. Full-time equivalent jobs are based on the rough assumption of 1 full-time job equals 2 part-time jobs.

Table 10.11: Employment Growth in New Start Worker
Co-operatives 1984 - 1986

<u>Sector</u>	<u>Full-time</u>		<u>Part-time</u>	
	<u>1984</u>	<u>1986</u>	<u>1984</u>	<u>1986</u>
Building & Construction (4)	5	10	8	9
Manufacturing (2)	0	9	3	4
Services (21)	31	85	44	38
Retail (4)	12	14	3	9
Total (31)	48	118	58	60

Net increase in Fte jobs 71

Average number of jobs per co-op in 1984 = 2.5Fte
 " " " " " " " 1986 = 4.8Fte

It would not be wise to read too much into one small sample in terms of increase in employment overall. But what is interesting is how the trend towards an increasing proportion of full-time to part-time employment, noted in Wilson's survey, is confirmed in the figures above for each sector except Retail. This is perhaps surprising in that the above sample, unlike Wilson's, is heavily weighted with service sector co-operatives where one might have expected part-time working to have predominated.

The exclusion of the 12 co-operatives still registered in the Directory but without any employees after two years makes no difference to the figures as presented in Table 10.11 except that their inclusion would bring the average F.T.E. per co-operative down to 1.8 in 1984 and 3.6 in 1986. Rather than say these twelve co-operatives have failed it may be that they are

better classified as overdue births. There are quite a few co-operatives registered that continue for many years as volunteer based projects and some never get beyond that stage. This type of semi-social, semi-commercial situation has no real parallel in the private business world.

The average increase in number of jobs measured in fte was about 100% in 2 years. The question is whether or not co-operatives will sustain this average rate of growth as they continue to develop. For in Wilson's survey as in Table 10.11 above the co-operatives sampled by age range between 2 and 3 years. In a survey undertaken by the author in 1986 (see Table 10.6)

some 81 co-operatives responded to a postal questionnaire sent to 354 co-operatives listed as trading in the CDA Directory for 1984. The survey was conducted as part of a market research exercise for ICOF Ltd and the very low response rate perhaps is an indication of the isolation and even indifference that co-operators feel towards their national promotional bodies.

The lower mortality rate amongst the worker co-operatives that responded was the first fact to emerge. 21 out of the 83 respondents reported that they had ceased trading. The highest death rate was for performing arts co-operatives, where 4 out of 5 respondents had ceased trading, next was bookselling, where 4 out of 7 respondents had ceased trading. Just

under a third of manufacturing co-operatives and about the same proportion of retail co-operatives had failed. On the other hand Building and Construction, Services, and Catering co-operatives all had low rates of failure. For the detailed response rates see Table 10.6. This lower mortality rate may be expected as co-ops that ceased trading are less likely to be able to respond to the questionnaire.

Another factor explaining the difference in the overall mortality rates between the two groups of co-operatives is partly no doubt a reflection of their different average life spans. The sample with the 48% failure rate occurring in the first 2 years compare with a roughly 25% failure rate in the second group. Of this latter group of 19 failed co-operatives in most cases it was not possible to get the exact year they ceased trading, although it was clearly between June 84 and September 86 in all cases. In four cases the year of registration for the co-operative could not be determined. These are excluded from Table 10.12.

Table 10.12: Mortality Rates For Co-operatives
S = 15

Age In Years	Building & Construct	Manufacture	Services	Retail
12			1	
7				1
6	1	2		
4		1	1	1
3				1
2		1	4	
Under 2			1	

(i) The year of death has been assumed to be 1985 for all cases to enable an approximate calculation to be made of age at death.

Some 37.5% of the co-operative deaths appears to be in the first two years with a further 25% of deaths occurring within the next two years. The bulk of these being in the Service and Retail Sectors. In fact these two sectors account for 62.5% of all the failures reported in the sample.

How these failure rates compare with Private Sector failure rates is an interesting question. Clearly the evidence assembled here is based on too small a sample and the information is too incomplete for a firm comparison to be made. However the proportion of one sample of 83 co-operatives registered between 1983 and 1984 that had failed by or before 30 June 1986 can be compared with greater security to the sector failure rates in the first two years reported in a recent survey of business deaths. The figures, however, are for VAT registered firms between 1980 and 1982 whereas our co-operatives were registered between 1984-1986 so even here the figures are not strictly comparable.

Table 10.13: Rate of Mortality in VAT Registered Businesses and Co-operatives during their first two years of Trading

	<u>Co-ops</u>	<u>VAT Registered Businesses</u>
Building and Construction	20%	28.9%
Manufacturing	81%	27.8%
Services	36%	29.9%
Retail	53%	32.5%

These figures do not put co-operatives in a very good light but it should be stressed that various sizes of business are included in the VAT Registered Business column. Apparently small firms; (sole proprietorships and partnerships) do less well in Services and Retail than the overall figures although conversely they tend to do better in production and construction.⁷² The poor showing in manufacturing for co-operatives is perhaps the most worrying aspect of these figures. These very high mortality rates in the CDA Directory based sample of co-operatives in their first two years together with the clustering of the majority of failures in the ICOF survey, in co-operatives trading for three years or less bear out the findings of an investigation into company mortality in general that

72. Ganguly, Paul, 'Lifespan Analysis of Businesses in the UK 1973-82' in British Business, London, HMSO, 12 August 1983, pp842-843

"There seems very little doubt therefore that the first 30 months in the life of a business represents a period of special vulnerability." ⁷³

However one other factor which should make us wary of drawing too pessimistic a conclusion about co-operatives relative performance is that the figures for co-operative failure may be inflated by a large number of 'stillbirths', that is registration that never go on to start trading. There may well be an understandable sense of urgency to get a prospective co-operative registered on the part of local CSOs. Our sample based on the CDA Directory has no way of checking this proportion but the fact that 12 co-operatives were still in the stage of not employing anybody 2 years after registration, may suggest that a large share of so-called co-operative deaths were really "stillborn" projects that never got started.

Tables 10.14 and 10.15 are based on the 62 positive responses to the ICOF Questionnaire. The average age of the co-operatives in this survey is at least twice that of the co-operatives in the survey based on the CDA Directory comparing 1984 with 1986. In Table 10.16 we compare the average f.t.e. employment figure for those co-operatives which have been trading for approximately 2 years with the average f.t.e. for co-operatives in our second sample. Both sets of employment figures are taken for the year 1986 so prevailing economic and

73. *ibid* p843

market conditions were the same for both sets of co-operatives as far as could reasonably be ascertained. Regional and local market conditions could of course influence the situation but the co-operatives included in both sets of figures represent a reasonable although not exact regional spread.

The comparison gives some support to the proposition that in certain sectors co-operative employment growth, after an initial spurt levels off at a very low number of employees. In Services, the co-operatives that have been trading for twice as long have slightly lower average f.t.es than the younger group. In Retailing, a sector now dominated by large scale company operation, those worker co-operatives trading on average for 7 years have virtually the same staff levels as those co-operatives trading for only 2. In Building and Construction and in Manufacturing growth in the average level of f.t.e. per co-operative looks more promising.

In Table 10.11 we saw that for each sector with the exception of Retail between 1984 and 1986 the ratio of part-time to full-time staff fell. The sample of older co-operatives in Table 10.15 indicate that, again with the exception of Retail, numbers of part-time workers relative to full-time are even lower than is the case with the younger co-operatives. What this suggests quite strongly, given the three distinct surveys

reviewed above, is that overall there is a tendency for co-operative employment to become full-time as these businesses become established. This is in marked contrast to the increasing incidence of part-time working recorded in the labour market in general.⁷⁴

74. Financial Times, "Workplace Industrial Relations Survey" reviewed in the Financial Times 27.11.86, p10. The survey found that; "Part-time employment amounted to 16 per cent of the sample workforce, a "small but significant" increase on 1980. A fifth of the manual workforce and 13 per cent of the non-manuals were part-timers. Part-time working is concentrated in non-manufacturing and in the public sector. Two-fifths of the public service manual workforce are part-timers.

The survey looks at non-core employees working short, fixed term contracts, temporary or agency workers, freelancers and home- or out-workers.

It estimates that 45 per cent of all establishments employ non-core workers, and puts the total number of such employees at about 566,000"

TABLE 10.15
Co-operative Employment in 1986
s=62

<u>Sector</u>	<u>Full-time</u>	<u>Part-time</u>	<u>Volunteers</u>
Building and Construction(6)	49 ´	3	Nil
Manufacturing(12)	302 **	44 ***	Nil
Services(19)	57	12	21 ´´
Retailing(20)	69	54	11 *
Wholesale(5)	92	28	Nil
Total (62)	569	141	32

Average number employed by each co-operative in
 f.t.e. 10.3.

Average age for the co-operatives 7 years.

* All in one co-operative

** One co-operative accounts for 190 full-time
 workers

*** Two co-operatives account for 24 part-time
 workers

´ One co-operative accounts for 25 full-time
 workers

´´ Three co-operatives are run on a volunteer
 basis

TABLE 10.16
Comparison of Employment Levels in Co-operatives
of different ages trading in 1986

<u>Samples</u> <u>used in</u> <u>Tables 10.11</u> <u>and 10.15</u>	<u>Sector</u>	<u>Average</u> <u>Age</u>	<u>Average</u> <u>F.T.E.</u> <u>per Coop</u>
Table 10.11 Coops	Building and Construction	2 years	2.9
Table 10.15 Coops	" "	4 "	8
Table 10.11 Coops	Manufacturing	2 "	5.5
Table 10.15 Coops	" "	5 "	11.6
Table 10.11 Coops	Services	2 "	3.4
Table 10.15 Coops	"	4 "	3
Table 10.11 Coops	Retail	2 "	4.6
Table 10.15 Coops	"	7 "	5

There were no wholesale co-operatives in the Table 10.11 or 10.15 samples. In order to make a comparison we reproduce the change in full and part-time workers for nine wholefood co-operative wholesalers in Table 10.17 below.⁷⁵

75. The Wholesale Wholefood Co-operative Sector, MSC LCP/MLA 123, April 1987. The statistics are derived from question 1h of the questionnaire conducted by P. Davis. These particular figures were not included in the final report.

TABLE 10.17
Wholesale Wholefood Co-operatives
Employment Growth**

<u>Co-operative</u>	<u>Age*</u>	<u>F.T.</u> <u>Workers at</u> <u>Commencement</u>	<u>F.T.</u> <u>Workers</u> <u>at 1987</u>
Suma	13	4	28
Nova	8	7	21
Green City	9	4	25
Infinity	8	n/a	11
Harvest	5	3	9
Wholesome Trucking	6	3	12
Bramble	9	1	9
Daily Bread	7	3	18

* Calculated from date trading commenced rather than date of registration.

** Part-time workers have been excluded from these figures.

In Table 10.18 below are reproduced on the basis of 951 entries for Co-operatives from the 1986 Directory who recorded a minimum of the equivalent to two full-time jobs giving the relative size, in employment terms, of the worker co-operatives of today. The 951 figure represents in the author's view a truer picture of the number of genuinely functioning co-operative businesses at 30 June 1986 than the 1476 figure presented by the CDA in view of the fact that these 525 additional co-operative are in the main operating with no employees or in a minority of cases less than 2 full-time employees. This figure of 951 co-operatives represents a growth rate of nearly 15% over the number of trading co-operatives recorded in 1984 (828). It cannot be claimed that these figures of 828 and 951 are absolutely accurate but we believe them to be a much

closer approximation to reality than the figures for co-operative registrations.

TABLE 10.18: (The Size in Employment Terms of Worker Co-operatives (30.6.1986)
(Stated in terms of full-time equivalents where 2pt = 1ft.)

<u>Band Of Employment Stated</u> <u>As Full-Time Equivalents</u>	<u>Number Of</u> <u>Co-operatives</u>
2 to 3	395
4 to 5	221
6 to 7	128
8 to 9	59
10 to 15	88
16 to 20	22
21 to 30	13
31 to 50	12
51 to 100	6
101 to 250	5
251 to 500	1
over 500	1

On these figures almost 65% of all trading worker co-operatives employ less than 6 full-time staff or their equivalents. The largest worker co-operative (Scott Bader) employs 530 full-time employees. Only 13 co-operatives employ more than 50 workers and of these four were founded before 1920 (see Table 10.19). Of the remaining, only two have been founded after the passing of the 1976 Industrial Common Ownership Act one is a Community Arts Workshop and the other a Radio Taxi Service.

With the exceptions of the counselling service, taxi hire, and community arts co-operatives, which in their trading sectors could be described as relatively large businesses all the remaining co-operatives are very definitely small firms even though in co-operative

TABLE 10.19

Co-operatives Employing more than 50 EmployeesFull-time at 30 June 1986

<u>Co-operative</u>	<u>Registered</u>	<u>Rules</u>	<u>Employees</u>	<u>Trading Activity</u>
NPS (Shoes) Ltd	1881	IPS (CPF)	65	Shoe Manufacture
Equity Shoes Ltd	1886	IPS (CPF)	205	Shoe Manufacture
Avalon Footwear Ltd	1892	IPS (CPF)	100	Shoe Manufacture
Northern Clubs Fed. Brewery Ltd	1919	IPS (Own Rules)	471	Brewing
Scott Bader Commonwealth Ltd	1951	Co. Ltd. by Guarantee (ICOM)	530	Chemical Prod
Airflow Developments Ltd	1955	Co. Ltd. by Guarantee (Own Rules)	190	Tech Instruments
Pregnancy Advisory Service	1968	Co. Ltd. by Guarantee (Own Rules)	170	Counselling
Inter Action Trust	1968	Co. Ltd. by Guarantee	50	Community Arts
Newry & Mourn Co-op Soc Ltd	1972	IPS (Own Rules)	250	Ind Development
Bardrec Ltd	1975	Co. Ltd. by Guarantee	52	Engineers
Radio Taxicabs (Southern)	1975	IPS (Own Rules)	85	Taxi & Private Hire Service
Tower Cab Co-operative Ltd	1983	IPS (Own Rules)	50	Taxi Service
Thirty Six Lime Street Ltd	1985	Co. Ltd. by Guarantee (Own Rules)	50	Community Arts

terms they are, as a glance at Table 10.18 confirms, uncharacteristically large. On a more positive note it can also be said that none of the co-operatives are located in an industry or activity that is already being superseded by technological change. At the same time it would be interesting to discover to what extent the manufacturing co-operatives in Table 10.19 are utilizing the latest technological developments being applied or are in a position to invest in them should the need arise? Another positive aspect in Table 10.19 is the wide variety of productive and service activities that it includes and the age range of the co-operatives involved. The yawning gap between 1919 and 1959 providing testimony to the interwar period of stagnation and decline. However, Table 10.19 shows that workers can successfully engage in co-operative businesses in most technical and commercial environments from capital intensive chemical process production, through assembly work to small batch precision engineering. The co-operative solution to the problems of management will differ but few of the co-operatives operating at this size of active workforce does so without the support of line management.

Cornforth and Lewis (1985) identified the problem of isolation as a serious weakness in current co-operative development strategies (see Sec 10.4 above). At the same time it has to be admitted that the CPF experience where there was concentration of co-operative activity

in Footwear, Clothing and Printing shows that numbers alone will not guarantee innovation and growth. Isolation for co-operative businesses may well hinder their ability to attract the most competent people because they are not perceived to offer wide enough scope for personal career development and high income. Isolation may be a further factor in creating scepticism amongst those managing venture capital funds, and finally isolation may prevent the co-operative gaining early warning of changes in its market or technological environment. The evidence of history is that the worker co-operative movement of the past failed to resolve this problem internally and that the presence of an agency operating at national level (the CPF) in itself solved nothing. Cornforth and Lewis (1985) 'diplomatically' suggest regional CSOs to help overcome the problem we say 'diplomatically' because there already exist two national agencies the CDA and ICOM. Only ICOM is membership based and democratically controlled. ICOM is of course the modern heir to the CPF and like the CPF in the past, is trying to provide a wide range of services with inadequate funding. The Cornforth/Lewis recommendation for regional CSOs is in our view inappropriate. Large co-operatives must develop national marketing strategies as a minimum objective if they are to be able to compete effectively. Consumer co-operative experience; where regional strategies were very much the vogue in the 1960s - also are striving hard to

achieve a national marketing strategy today. Worker co-operative retailing is based in three broad sectors: designer fashions and crafted goods; bookselling and wholefoods. Wholefoods are under very real pressure from the Booker McConnell group's Brewhurst wholesale distributor that has set up a successful franchise operation called 'Realfare'.⁷⁶

Table 10.20 provides information on the real isolation of many worker co-operatives trading today in over eighty nine different areas of commercial activity. If there is to be any collaboration between co-operatives actively trading in common areas: for training; inter-trading; purchasing; research and development; or just the mutually beneficial exchange of information, then this will in most cases require national co-ordination to be effective. In a recent Local Collaborative Project funded by the MSC looking at the problem of developing greater inter-co-operative collaboration only four trading sectors were found in the East Midlands region to have five or more co-operatives actively trading. The greatest number of co-operatives was in the wholefood sector - where 13 co-operatives could be identified - and it was therefore decided to focus the programme towards the wholefood sector. However, further analysis of the situation showed that even with this density the economic logic of the wholefood sector required the

TABLE 10.20

Numbers of Co-operatives Operating
In a given Trade Activity at 1 June 1984

<u>Sort Code</u>	<u>Trade Activity</u>	<u>No. of Co-operatives</u>	<u>% of Occurrences</u>
01	Electrical Contracting	6	0.64
02	General Building	53	5.67
03	Community Services	22	2.35
04	Carpenters and Joiners	16	1.71
05	Painters and decorating	5	0.53
06	Architecture	15	1.60
07	Insulation: Energy Conservation/ Generation	10	1.07
08	Nursery for Children	11	1.18
09	Launderettes and Dry Cleaning	5	0.53
10	Manufacture and Repair; Toys	8	0.86
11	Pregnancy Advisory Services	2	0.21
12	Retail: Badges/Fancy Goods/Crafts	15	1.60
13	Retail: Wholefoods and other foodstuffs	69	7.38
14	Retail: Durables and Non-Food and General Stores	18	1.93
15	Retail: Books	39	4.17
16	Manufacture and Demonstrate: Musical Instruments and Sound Systems	4	0.43
17	Manufacture: Handbags and accessories: Cosmetics	2	0.21
18	Knitting	11	1.18
19	Manufacture and Design: Textiles	9	0.96
20	Tailors	6	0.64
21	Manufacture: Shoes	9	0.96
22	Electronics: Assembly Sub Contracting	1	0.11
23	Engineering	24	2.57
24	Computer Retailing	1	0.11
25	Retail Florists	1	0.11
26	Retail/Wholesale: Basketball equipment	1	0.11

<u>Sort Code</u>	<u>Trade Activity</u>	<u>No. of Co-operatives</u>	<u>% of Occurrences</u>
27	Retail/Repair: Bicycles	10	1.07
28	Retail: Bakers and Take-Away Foods	4	0.43
29	Catering	7	0.75
30	Restaurants, Cafes and Public Houses	35	3.74
31	Upholstery/Furniture Restoration/ Wholesale	14	1.50
32	Postal Distributive Services/ Packaging	5	0.53
33	Holding Co-operative	3	0.32
34	Fire Prevention	3	0.32
35	House Removals and Haulage, Transport and Storage	13	1.39
36	Agriculture, Horticulture and Allotment Produce Co-ops, Fishing, Fish Farming Requisite Supplies	13	1.39
37	Contract Labour	31	3.32
38	Shoe Retail and Repair	1	0.11
39	Electronics: Design	1	0.11
40	Retail/Industrial and Interior Design	3	0.32
41	Theatrical Agency, Tuition, Companies and Theatre	41	4.39
42	Artists Co-operatives	10	1.07
43	Film and Video Production	29	3.10
44	Crafts Manufacture	16	1.71
45	Musicians Co-operatives, Sound Systems Hire	14	1.50
46	Workspace	5	0.53
47	Graphics, Fine Art and Design	10	1.07
48	Recording and Record Distribution	4	0.43
49	Public Relations and Advertising	3	0.32
50	Insurance Brokers	1	0.11
51	Software Development and Sales and Word Processor facilities	9	0.96
52	Training and Consultancy and Promotion	32	3.42
53	Market Research	2	0.21
54	Contract Cleaning	13	1.39
55	School of Motoring	1	0.11
56	Gardening and Landscaping, Forestry	13	1.39
57	News Agency, Newspaper, Magazines	20	2.14

<u>Sort Code</u>	<u>Trade Activity</u>	<u>No. of Co-operatives</u>	<u>% of Occurrences</u>
58	Film/Video Hire/Distribution, Cinema	5	0.53
59	Photography	9	0.96
60	Radio Broadcasting Production	1	0.11
61	Food Manufacture	5	0.53
62	Electronic Engineering	5	0.53
63	Publishers and Distribution	19	2.03
64	Brewing/Off Sales	5	0.53
65	Vehicle; Repairs/Garages/ Accessories/Building	18	1.93
66	Printing	60	6.42
67	Glaziers	1	0.11
68	Bakers	6	0.64
69	Fashion Clothes	23	2.46
70	Electrical Products: Repair and Retail	1	0.11
71	Metal working, enamelling and forging/cleaning	2	0.21
72	Clockmakers and repairs/ Locksmith	2	0.21
73	Hotels, Guest Houses and Hostels	3	0.32
74	River Cruises	1	0.11
75	Roofing	1	0.11
76	Brick/Stone Cleaning	1	0.11
77	Food Wholesalers	8	0.86
78	Acupuncture	1	0.11
79	Scientific Instruments	2	0.21
80	Dance/Exercise Studios/ Fitness Training	3	0.32
81	Property Development	2	0.21
82	Chemical/Plastics Processes and Manufacture	4	0.43
83	General Manufacturing	3	0.32
84	Waste Collection, Disposal and Reprocessing	1	0.11
85	Plumbing	1	0.11
86	Accountants, Stock-taking and Audit	3	0.32
87	Non Food Wholesales	1	0.11
88	Secretarial, Administrative and Business Services	6	0.64
89	Translation	2	0.21

development of a national strategy and that it was in any event only at this level that enough worker co-operatives of the size and experience to collaborate effectively could be identified. The MSC agreed to extend the scope of the project but not the level of funding and on this basis the project is continuing at the time of writing.⁷⁷

Table 10.21 gives a regional breakdown of the numbers of Co-operatives in each region at 1 June 1984.

TABLE 10.21: Regional Dispersion of Worker Co-operatives at 1 June 1984

<u>Region</u>	<u>No. Of Co-ops</u>	<u>%</u>
Greater London	267	29
South of England	58	6
South West & Isle of Wight	38	5
North Wales	13	1
South Wales	47	5
East Midlands & East Anglia	124	13
West Midlands	38	5
North West	171	18
Gtr Manchester and N E	85	9
Scotland	66	7
Northern Ireland	22	2

One area where research into worker co-operatives has produced a very clear picture is that of the problems worker co-operatives face. Top of the list in every

⁷⁷ . MSC Secondary Co-operation, LCP MLA/123, Aug 1986-Sept 1987

sector and age range for every survey (either in 1st or 2nd position although nearly always 1st) is finance. This is true in Wilson (1987), Co-operative Advisory Group (1984), Cornforth and Lewis (1985) and Stott (1986). Below Table 10.22 is reproduced from Table 4.2 in the C.A.G. survey.⁷⁸

TABLE 10.22: Problems Encountered In Worker Co-operatives

<u>Problem</u>	<u>Co-operators Responses 1</u>	<u>Opinions of CDA Staff 2</u>
Lack of finance	58	40
Marketing/Selling	37	55
Member Relations/Dynamics	19	30
Staffing/recruitment	17	15
Premises	15	-
Production speed/capacity	9	-
Planning	11	15
Financial control	5	30
Design/identity of product or services being applied	4	0
Pricing	4	5
Other	26	30
No problems	2	-

Notes:-

- 1 Percentage of co-operatives
- 2 Percentage who think these are major problems in trading co-operatives.

Summarising their findings C.A.G. reported that,

"Among the co-operatives themselves, a lack of finance is clearly seen to present most problems. Marketing or sales comes second, presenting major problems in over a third of the co-operatives responding. Predictably, the nature of the problem varies with the kind of business undertaken.

Building co-operatives tend to have more problems than others, but marketing is not

78. Co-operative Advisory Group, Marketing in Worker Co-operatives in the United Kingdom, CAG, London, March 1984, p25

usually one of them. The problems do not involve so much getting the work, but organising effectively to carry it out. By contrast, manufacturing co-operatives generally put marketing and selling at the top of their list, and are most troubled by the nature and identity of what they are making, a key factor in getting sales in the first place. Many manufacturing co-operatives are clearly struggling to find the right product-market mix. Transport and wholesale co-operatives, however, think marketing and sales are, on average, less pressing problems than member relations, staffing and premises. Premises, predictably, were considered more a problem by retail co-operatives than by any other sector. Marketing appears as the major problem among service co-operatives also."⁷⁹

A careful consideration of the list of problems identified by C.A.G. will be found to be resolved into two areas, Finance and Training. The vast array of training establishments both co-operative and in general suggests that if co-operatives have the time and the money they can get the training for the problem areas they identify. What evidence there is would suggest that co-operative members/workers in the new wave co-operatives are comparatively young (late 20s to early 30s) in respect of the average staff profile and also with a higher proportion of workers having had exposure to higher and further education than would be found in the average small firm. In fact it has been suggested that on the whole private sector sole

proprietors tend to be underachievers in terms of education.⁸⁰ In contrast there would appear to be little reason to doubt the average co-operative members ability to respond to training when it is provided.

Research into the background of workers in nine wholefood wholesale worker co-operatives found that in terms of their age profile, educational backgrounds and basic positive attitudes towards further training and development, that co-operative members in this sector at least provide the trainer and human resource developer with very promising material.

(From Table 20. Wholesale Whole Food Co-operatives Interim Report MSC April 1987)

TABLE 10.23: Participants Average Age in Each of the Co-operatives

<u>Co-operative</u>	<u>Nos.</u>	<u>Average</u>	<u>Range</u>
A	50	28	21 - 45
B	21	27	20 - 33
C	25	31	21 - 47
D	9	35	23 - 62
E	n/a	n/a	n/a
F	12	31	21 - 58
G	19	33	24 - 44
H	13	41	18 - 66 ⁸¹

80 . Scase, R & Goffee, R The Real World of the Small Business Owner, Croom Helm, Beckenham, 1980, p107

81 . MSC The Wholesale Wholefood Co-operative Sector, op cit, p30

And that in terms of general education:

"Overall the Networks co-operatives have members with a well above average level of achievement in Higher Education in both the Arts and Social Sciences than will be found in any of their private trade competitors. It is clear that a number of co-operators have given up professions, including teaching, nursing and social work for the opportunity to work co-operatively in the wholefood sector." 82

Nevertheless, training is a pressing need for a wide range of managerial, technical and financial skills,

"... only eleven co-operators across the eight co-operatives have business or commercial experience apart from that learnt on the job in their co-operative. Hardly any had prior experience of warehouse or transport management. There are also very few co-operators with any sales, financial or accounting background. With these facts in mind the success of these businesses over a number of years now is all the greater achievement. However the time has passed when Wholefoods is a fringe concern. The scale of operations and the growth of competition may be about to demand increased technical expertise and management from all concerned." 83

In Table 10.24 below (Table 22 in the Wholefood Report cited above) only 14 people out of 159 surveyed had any previous experience or qualification relevant to the business they were operating. It says a lot for the ingenuity and commitment of these co-operators that with hardly any previous business experience they pioneered from scratch 8 co-operative businesses

82 ibid, p32

83 ibid, p32

employing over 150 people with a turnover of over £12 million in 1986.

TABLE 10.24: Management, Business and Computing Experience/Qualifications

<u>Business/Management</u>	
MSC Management	1
Middle-management (retail books)	2
OND Business Studies	1
BSc Management	1
MA Econ/Shop Manager	2
Manager of another Co-op	1
Solicitor	1
Financial Management	1
BSc Surveying	1
<u>Computing</u>	
Word Processing	1
Computer Operator (Intro)	1
BSc Computer Science	1 84

In the end however we come back to Finance. David Trippier, Junior Minister for Small Firms at the Department of Trade and Industry, said in a speech to the Northants Co-operative Development Association's AGM in 1986 that the Government would not provide a further fund for investment in Worker Co-operatives. What sources are available currently for worker co-operatives? In the main five sources can be identified:

1. ICOF Ltd
2. Local Authorities
3. Other Co-operatives
4. Banks
5. The members themselves.

Industrial Common Ownership Finance Ltd is a Company Limited by Guarantee without share capital which offers

NAME OF FUND	AMOUNT	INTEREST RATE	SOURCE	DECISION MAKING	INDEPENDENT FUND	COMMENTS
CLEVELAND CDA	100,00	Not more than 1% above base rate	County Council	A panel has been formed from the CDA, the County Council and local banks	Yes	The panel advises the CDA who control the fund
CAMBRIDGE CDA	20,000	5%	City Council	The CDA makes recommendations to the chair, vice-chair and treasurer of the Council	Not at present	The fund provides 'pump priming' loans of up to £3,000. When loan repayments are made the CDA retains control of the funds generated
DERBYSHIRE CDA	25,000 with top up each year	3% below base rate	County Council	The CDA makes recommendations to the County Council	No	The Council hold the fund but take very little part in decision making
LEICESTER & COUNTY CDA	100,000 with top up each year from the Urban Programme	5%	Urban Programme (City Council) and £50,000 grant from the Council	The CDA workers make a recommendation to the CDA General Council which takes the decision	Yes	Grants may also be made from the fund - often limited to premises development. Funds are held by the CDA
LONDON CO-OPERATIVE ENTERPRISE BOARD	1,000,000	5%	Greater London Enterprise Board	Separate company limited by guarantee with representation from London co-ops	Yes	The LCEB can make loans of up to £25,000. Applications for larger amounts are referred to GLEB. An 'enterprise plan' is agreed with the applicant which is reviewed annually
NOTTINGHAMSHIRE CDA	150,000	12% fixed	County Council	Administered by a finance sub-committee of the CDA. The decision taking body is the CDA	Yes	Larger loans are processed jointly with the economic development sub-committee
SUNDERLAND REVOLVING LOAN FUND	Currently 40,000 with annual increments of 20,000	3% below base rate	Urban Programme (Borough Council)	A committee convened by ICOM North make recommendations to the Borough Council	No	Funds are held by the Council
WANSBECK COMMON OWNERSHIP FUND	30,000 (from lottery fund)	Less than 10%, reviewed quarterly	District Council	Administered by trustees with recommendations from the CDA	No	Funds are held by the Council. Start up grants and loan guarantees are also available
MANCHESTER CITY CDA	25,000	Not known	City Council	Not known	Not known	
WEST MIDLANDS: (Covers Birmingham, Coventry & Black Country CDAs)	500,000	Not known	West Midlands County Council	Loans appraised by co-op officers at the Council's Economic Development Unit. Decisions are made by the Board of W.M.C.O.F.		The fund is administered by Industrial Common Ownership Finance for West Midlands C.C.

finance to new and expanding worker co-operatives through a revolving loan fund. The organisation was formed out of ICOM in 1973 and in its early years managed a modest fund made up largely of a £25,000 Scott Bader Commonwealth Co-operative Development Fund and monies provided by individuals.⁸⁵ In 1976 ICOF Ltd received a £250,000 grant as a result of the 1976 Industrial Common Ownership Act and by 1986 had lent £1 million to worker co-operatives and created an estimated 1,000 co-operative jobs. During this last ten years ICOF Ltd has become the managing agent for some local authority revolving loan funds, the biggest being the West Midlands County Council fund in 1979 worth a further £500,000. ICOF at April 1986 had some £58,000 in its Central Fund and £228,000 in its West Midland fund available for lending and has loans outstanding to 51 co-operatives totalling £853,000.⁸⁶ Over the ten years between 1976 and 1986 ICOF Ltd has experienced a 37% failure rate.⁸⁷ As we have seen this compares very favourably with the rates of failure recorded for private - VAT registered businesses in

 85. ICOF Ltd, The National Revolving Loan Fund for Co-operatives, ICOF Ltd., Northampton, 1986, p1

86. ICOF Ltd., ICOF Annual Report 1985, ICOF Ltd, Northampton, 1985, p6

87. *ibid* p7

general over a ten year period when anything from 40% to 60% may be expected to fail...⁸⁸

It has been estimated that about £2 million is available in various co-operative loan funds around the country with an additional £1 million fund established by the Greater London Enterprise Board. Table 10.25 is taken from Table 7 in Stott's Beyond Isolation (1985) and gives details of funds existing at that time and their method of management.

A very few worker co-operatives will occasionally make loans available for other co-operatives. Scott Bader does this most consistently but there are few other examples. When ICOF Ltd through its questionnaire (see Appendix 1) asked 354 worker co-operatives whether they would be prepared to either make a loan or a grant to ICOF Ltd for the purpose of on-lending for co-operative development only 2 co-operatives out of 62 replies offered any money; one a grant of £400 and another a loan of £1,000. Every other co-operative felt they could not afford to at the present time. Less than 10% of the replies felt they might be in a position to reconsider in the foreseeable future.

There is no available data on Banks general lending to worker co-operatives. One would hope that the

88. Ganguly, Paul, op cit, p840

Co-operative Bank would be sympathetic, but CSO experience has been patchy.⁸⁹ In general Banks appear unsympathetic to Worker Co-operatives on a number of grounds. Firstly the limited equity being supplied by the members themselves provides the Bank with little security. Secondly, the co-operative structure is unfamiliar and often those setting the co-operative up have backgrounds that give banks little grounds for confidence. Further a large number of co-operative businesses fail to present a clear picture of what they are selling and who, and at what price, is going to purchase. However it is the author's experience as former Treasurer of Leicester and County CDA that banks could be drawn into loan packages where the major loan was coming from a mixture of Membership and CDA money. Also Banks would lend to co-operatives when the local authority or CDA acted as a guarantor. The problem was that Banks tended to insist on this arrangement continuing for co-operatives even when a co-operative asking for a further advance had paid back its first loan and was trading successfully.

Finally, there are the resources of the members themselves. This is often quite important particularly for co-operatives in the Building Trades where members

89 . Whilst the author was Treasurer of Leicester and County CDA it was a common complaint by the development workers that banks were unsympathetic to Co-operatives when giving reports to the General Management Committee. In the early years of the Agency relations with the local Co-operative Bank Manager were poor.

may pool tools, kit, maybe a vehicle and even some rudimentary premises like a garage or shed to get started.⁹⁰ Sometimes redundancy money, or a second mortgage is available and on some occasions friends and family are prepared to make loans. However these self-generated resources are generally insufficient for anything other than a very narrow range of new start business ventures. Once a co-operative gets underway there is little evidence that they are able to take advantage of any rapid accumulation of capital by the very reason that they start their lives undercapitalized and are in sectors where there is little opportunity for rapid capital growth. Self-exploitation, or "sweat equity" as it is sometimes called is the only way to survive, let alone grow. Not a single co-operative questioned in the ICOF Questionnaire felt able to consider the possibility of individual members putting any regular small savings into an ICOF Account even if the latter were to be given deposit taking status in the future. Of those that did comment or expand on their refusal all explained that their members were on such low pay that saving was out of the question or else that all their spare cash was needed to reinvest into their own

90 . Co-operative Development Agency Blue-print for the Building Trade, unpublished first draft including 3 case studies conducted with general building co-operatives where it was reported by the interviewees that they got started in all 3 cases with a mixture of family loans and member donated tools and equipment. Interviews conducted in 1986 by the author

co-operative. One co-operative claimed to be paying each member £24 per week.

ICOF Ltd took a policy decision to create a subsidiary, a public limited company, with an issue of non-voting redeemable preference shares for a minimum amount of £250. ICOF p.l.c. raised £500,000 between June and July 1987 by this venture.⁹¹ The prospectuses were circulated around 5000 private individuals known to be associated with and sympathetic to the worker co-operative movement and the wider co-operative movement. What is clear is that the worker co-operative movement cannot generate enough money to finance its own development out of revenue and that the obvious sources for external funding will remain extremely restricted even given the ICOF success in raising the £500,000 loan stock. This is not to say that something more than is being done by the co-operatives themselves could not be undertaken. Table 10.14 gave average turnover figures ranging from a low of £74,000 for Services to £1,152.00 in Wholesaling. The total turnover figure for 61 co-operatives was £11 million. This figure nearly doubles to £19 million if one co-operative excluded from Table 10.14 turnover figures is included. In their survey in 1984 C.A.G. found that Wholesale Distribution Co-operatives had the biggest average turnover

91. ICOF Ltd., Trustee Meeting, Gledb Headquarters, 21 Jan 1987, Minute 57.1

(then £435,000). The CAG report estimated worker co-operative turnover by 1986 to be around £220 million. This was based on an annual rate of growth of 10% per year. The ICOF Ltd survey suggests that the rate of growth has been patchy with average turnover figures falling for services and manufacturing. Building and Retail are in line with CAG forecasts and Wholesale has grown faster.

TABLE 10.26: Average Turnover Figures for different co-operative sectors 1984 and 1986

<u>Sector</u>	<u>1984</u> 1	<u>1986</u> 2
Building and Construction	£116,000	£144,000
Manufacturing	£345,000	£154,000
Services	£102,000	£74,000
Retail	£69,000	£81,000
Wholesale	£425,000	£1,152,000

1 Figures from CAG, Marketing in Worker Co-operatives in the UK, 1984, p 16

2 Rounded figures from ICOF Ltd Questionnaire 1986 (see Appendix 2)

Assuming all the co-operatives set aside 2% of a Net Profit estimated at 5% of turnover pa this could (based on the CAG figure) generate an annual income to ICOF of between £20,000 and £25,000 equivalent to one small local revolving loan fund per year. Such a fund will not solve the financial problem facing the sector but it would be a contribution that might, once it started, snowball by encouraging others. It would also represent an important point of mutual unity a clear sign that worker co-operatives today saw themselves as

part of a wider movement. In economic terms, however, the impact would be too small to register.

The Government Loan Guarantee Scheme has assisted 10,000 companies since its inception, (half of them new start ups), to raise £300 million in capital.⁹² After ten years activity ICOF has only advanced £1 million in loans. The Loan Guarantee Scheme went up to a maximum of £75,000 per firm, the highest ICOF loan is recorded to be £47,000 with the average loan running at under £9,000 per co-operative.⁹³ Such is the magnitude of the co-operative disadvantage in Finance.

10.6 Worker Co-operatives in the small firm sector.
Contemporary perceptions of their role.

Clearly if we seek to situate worker co-operatives within the Dual Economy model outlined in Chapter 9 their place on the evidence on this Chapter is somewhere within the smallest 5% of the small firm sector. They have received a lot of media attention - far more than their overall number or economic importance would seem to justify - most probably because;

"... the upsurge in co-operatives, to a situation where there are now around 1,000 employing about 7,000 people (Stirling and

92. Financial Times, 'Small Businesses' Financial Times Survey, London 3 May 1983, p2

93. ICOF Ltd., 'Advances Outstanding at 30 Sept 1986'

Mellor 1984), runs almost parallel to the resurgence of small business in general."⁹⁴

In terms of the categories of small firm occupying the secondary sector in the dual economy very few co-operatives could be classified as "satellites" and only a minority are "competitors" in the real sense. Most worker co-operatives occupy the position of free agents and it is the absence of competition rather than its presence that ensures their survival. The bulk of worker co-operatives occupy markets which are of no interest to big capital or in many cases to even small private businesses; that is until the market has developed to the point where real profits could be made. Then, as with the wholefood sector, the larger capital moves in and very shortly dominates the market and threatens to squeeze out completely their small rivals - co-operative or otherwise.

The evidence of the activities of CSO shows that their priority areas for co-operative development though very different from the Christian Socialists and the CPF Ltd share with them the fixation on small self-managed businesses operating in sectors showing little propensity to fast rates of growth. On the more positive side the awareness of the need for commercial and managerial skills appears more widespread in the promoters of today's worker co-operative movement. Also

94. Rannie, Al, 'Small Business, Big Problems; The Political Economy of Small Business', Capital and Class, No.25, CSE, London, Spring, 1985, p163

co-operative growth in the services sector - itself a growing area as well as in wholefoods suggests that properly managed they can compete and survive in areas for which the prospects overall look positive. Today's promoters, such as ICOF, are still looking to rich benefactors for the main source of external funding or to the Government. Outside of Wales the Trade Unions are as little involved in recent developments as was the case with the CPF.

As such co-operatives operate in the twilight zone of the dual economy - barely visible but for the promoters magnifying glass; isolated, undercapitalised and generally unprofitable. In the best run examples they provide better job security, more involvement and job satisfaction and a reasonable living for their worker members. In some cases there are additional benefits to a given community or minority interest. In other cases they provide a focus for activity and hope to people who otherwise may see no prospect of work .

"The important difference behind the resurgence of co-op ventures in Britain is that the 'alternative lifestyle' approach of the '70s which led to many ventures in craft areas, has given way to the more basic desire for employment by people made redundant."⁹⁵

Apart from fulfilling a minor role in job creation strategies the current size of worker co-operative activity ensures they cannot hope either to compete with let alone successfully replace their much larger

rivals within the small firm sector and even if they did they would still be in a subservient position as capitals to the multi-national dominated core economy. In fact the private sector small firm is not losing ground to co-operatives, but expanding strongly itself. Since 1972 there has been on average 24,190 more new businesses registering for VAT than deregistering every year since 1973.⁹⁶

What the debate within the left has concentrated on so far has been with the role of the small firms strategy. The fact that co-operatives appear to be incorporated within that strategy leads to scepticism.

"... small firms should not be viewed as anachronistic survivors of a bygone age, destined for destruction. They have a role to play in the advanced, though crisis ridden economies of the late twentieth century. Bollard (1983) acknowledges that large firms determine the state of play for their small scale counterparts. Furthermore, crisis has forced a period of experimentation in large firms that has helped foster the growth of small firms. ...

Shell UK, for example, had argued that they 'believe that the best business environment for big companies includes a thriving small business sector' (Sunday Times 12.11.78).⁹⁷

Further the small firm strategy has been portrayed as a means to destroy the power of organised labour.

"However, the material base for the resurgence of interest is highly political and is partly, as the Prince of Wales intimated, motivated by the desire to do away

96. Ganguly, P. op cit, p839

97. Rannie, Al, pl40

with the power of trade unionism. As Scase and Goffee have pointed out: 'in a nutshell, it (the government's) small business strategy offers a solution to one of the major problems confronting industry as diagnosed by employers, managers and politicians: that is the management of labour' (Scase and Goffee, 1980, p.16)"⁹⁸

Because of Worker Co-operatives location within this overall strategy they have received government toleration and even support, for example;

"Norman Tebbit has emphasised the Government's support for co-operatives and David Trippier, the small business Minister, announced that funds would be available to guarantee the existence of the Co-operative Development Agency for another six years (Financial Times 12.6.84)." ⁹⁹

Thus, some people have sought to identify a reactionary role for worker co-operatives to explain this support from Britain's political right.

"Hannah and O'Toole (1984) argue that the government is trying to implicate co-operatives in its plans to privatise municipal services. They point out that George Jones, Chief Executive of the National Co-operative Development Agency, has argued that 'the co-operative way of running a business coincides in many ways with the present Government's philosophies' (Business News, Autumn 1983); the idea being that a co-operative is just another way of extending the Tory philosophy of creating a job owning democracy. People then are realistic and responsive to market focus according to this theory, take wage cuts when necessary and don't go on strike. Therefore, because co-operatives are so responsive to the hard winds of competition, they should be encouraged to compete for contracts from privatised services (Hannah and O'Toole, 1984). Furthermore, George Jones of the CDA

98 . ibid, pl49

99 . ibid, pl63

argues that 'trade union hostility to privatisation could be deflected by using worker co-operatives' (ibid)."¹⁰⁰

Going beyond this, a very much more sophisticated analysis of how co-operation may be seen as a means to assist the process of transition and restructuring of private capital has been presented by Bradley and Gelb (1983). They see 'Rescue Co-operatives' as an instrument for social and economic transition enabling central government to extricate itself from the full effect of a closure on the local economy and force the local community and the workforce to take responsibility for the ultimate future of the business.

"As only part of the total cost of restart is covered by government loans ... the burden of equity mobilization is thrown back onto employees, local community indeed all those with a stake in the enterprise...

... worker contribution will be forthcoming because financial transaction linking capital and labour markets require a lower return than that needed to attract conventional investors."¹⁰¹

Bradley and Gelb even suggest that "job constrained workers" might actually give more for the liquidated assets of a business than would be offered on the open market.¹⁰² Even if employee ownership does succeed

100. ibid, p164

101 . Bradley, K, and Gelb, A. Worker Capitalism. The New Industrial Relations, Heinemann Educational Books, London, 1983, p88

102 . ibid, p91

commercially the need for finance to expand is likely to ensure worker control is purely temporary.

"A second source of instability of the employee-owned structure which stems from success is the natural limit on capital availability for expansion ... Rather like family enterprises, successful employee-owned firms may be forced by the scale of requirements of production to abandon their ownership structure and go public."¹⁰³

This kind of manipulation of co-operative organisation is a very real possibility as Bradley and Gelb have recorded although after the experience of the 'Benn Co-operatives' of the 1970s it may be that workers are more sceptical of this "solution". They have generally ignored stop steward appeals to fight to defend jobs. Today, as is evidenced from the co-operative statistics, there are few large scale rescues outside of the orthodox privatisation model of management buy-out and worker shareholding. The latter are isolated cases not really reflecting the main thrust of co-operative development which has been into ICOM styled Companies Limited by Guarantee which cannot be so easily transferred back to private shareholders. There are only a few cases of the rival CDA model rules for Equity Participation Co-operatives.¹⁰⁴

The crucial point however is not to focus on what the political right may try to do to worker co-operatives

103 . *ibid*, p96

104 . CDA, Equity Participation Co-operatives, CDA, London, 1985

but to examine their potential uses for working people.

The question raised in this thesis is under what conditions co-operatives could become an instrument to challenge capitalism as the dominant form of economic activity. In fact today's worker co-operatives it is argued are part of a strategy that has as its aim the resolution of the crisis of capital without challenging the basic domination of capital. That they have no hope of defeating that strategy through the competition of capitals has been demonstrated by the evidence of this chapter. If this were the only basis upon which co-operatives could be used - which is what Rannie (1985) suggests - then the evidence is that Worker Co-operation as presently developed must be seen as a blind alley for Labour (as a class) in its search for effective strategies to counter the Dual Economy. (This is not to say they may not remain viable options for particular groups of workers).

Referring to left-wing apologists/promoters of workers co-operation Rannie argues that,

"Nowhere do they attempt to locate the position of the new small co-operative in Thatcher's Britain. In the same way that small business mythology rests on an ignorance of reality, the lack of analysis relating to the role and function of co-operatives in a crisis-ridden, restructuring economic formation lends an air of total unreality to all discussion of those worker co-operatives."¹⁰⁵

We shall respond to this challenge by Rannie in Chapter
11.

CHAPTER 11 - CAPITAL AND LABOUR. A LABOUR MARKET
BASED STRATEGY FOR REDRESSING THE IMBALANCE

11.1 Introduction

In this Chapter we conclude our research. The question posed by this thesis, namely

"Under what conditions can co-operatives be viewed as agents for profound social change ..." (See Ch 1 sec 1.4)

may now be answered. The answer cannot be put in positive terms. What will be described is a set of conditions that exist currently, the operation or combination of which, whilst not in any sense inevitable, we argue is certainly possible and practical, and would lead to a worker co-operative sector employing between 1 and 2 million people within the first decade of its operation. (See Appendix 1)

We propose that the route for worker co-operatives away from the margins of economic and labour movement activity to that of centre stage can be found by finally listening to the advice and strategies offered by the English Labour Economists in the 1830s (see Ch 7).

We do not suggest, however, a simple return to their texts. Times have changed and conditions matured. Although the basic imbalance of power has if anything moved towards capital and away from labour, labour today is in a far stronger position to utilise Bray's insights into the mobilization of small savings than

was the case in the days of the Redemptionists.

This chapter (at 11.3) will argue, and in fact restate the case, for Trade Union involvement in the promotion and finance of worker co-operatives. Any perusal of the literature currently circulating on the Trade Unions relations with co-operatives shows that this case is hardly understood by the labour movement of today (see 11.2). In the remaining sections we shall outline the mechanics for a Trade Union-led strategy for worker co-operation in terms of the benefits of external finance (in 11.4), and the available sources and mechanisms for the mobilization of those sources (in 11.5).

We then consider (in 11.6) how this strategy could be expected to impact on the working of our economy and the change in relationships between capital and labour that it will gradually bring to effect. A simple model of how these changes based on labour market led investments of small savings may impact on unemployment, wages, profits, share prices, and the collective ownership of capital is placed in Figure 3 (see 11.6).

Finding a strategy is important; finding a strategy which (as we shall argue in 11.3) peculiarly fits the needs and mood of a people at a particular conjunction in their history is even more important. We argued in Chapter 1 that the laws of economics and the other social sciences are contingent on the action of

individual men and women. These actions are themselves the results of the values and beliefs they hold or fail to hold. Beneath all this lies the individual's ability to reason, to address his and her conscience and to choose. Worker Co-operatives, no matter how they are structured, are no less prey to human frailty, weakness and greed than any other sector of the labour movement. It is therefore just as necessary to recognise the importance of the attitudinal and spiritual dimension of this project in co-operative political economy as to chart the organisational and economic aspects. The ethical concerns of co-operators past and present are well documented. We shall in the concluding section (11.7) argue - echoing Hodgskin - that bureaucratic intervention in terms of nationalised industries or varieties of municipal ownership are not the best avenues for achieving the real freedom of the labourer. A genuine pluralism is the only way to achieve social justice, and this cannot be arrived at without free markets, but, and this is the crucial point, free markets based on a restructured relationship between labour and capital where labour hiring capital becomes a significant though not necessarily exclusive mode.

11.2 Trade Unionism and Worker Co-operation

The need for closer links with the trade union movement has been acknowledged at international and national level within the co-operative movement.

The debate is often phrased in extreme Marxian terms as the following example indicates from the 25th Congress of the International Co-operative Alliance;

"Considering that the social development of the world is at present undergoing fundamental social and economic changes and that this situation calls for unity of action by all anti-imperialist forces in the struggle for peace, democracy and social progress;

Recognises the important role of unity of action by the trade union and co-operative movements in this struggle;

Recalls that the co-operatives and the trade unions, created in the struggle of suppressed masses in defence of their social and economic rights against exploitation and capitalist monopolies are united by the unity of purpose, which opens wide possibilities for a comprehensive collaboration between them;

Considers that the effectiveness of action of co-operatives will be greatly increased if they will work jointly with the trade unions and other organisations of working people;"¹

However the debate itself has been carried out in terms which take as their starting point the accepted role of trade unions as agents for collective bargaining and worker co-operatives as independent associations of workers. Thus the divisions, which grew up as the reformist currents of the labour movement became dominant, shaping the three wings of today's federal labour movement namely, Trades Unions, Consumer Co-operatives and Labour Party, has been accepted as given by most participants in today's debate.

1. Munker, Hans H. "Co-operatives and Trade Unions", in ICA Review of International Co-operation, Vol. 1.70 No. 1, Geneva, 1977, p29

"It is true however that there remains a degree of mutual suspicion between the Co-operative Movement and Trade Unions. Trade Unions' main fear is that their traditional role of protecting their members' pay and conditions may be affected since it is not easy for them to identify an employer in a co-operative situation. The Co-operative Movement itself is anxious that they are not isolated from the Trade Union and Labour Movement, but they want the autonomy of workers co-ops to be recognised. They are mutual benefit societies, that is, enterprises run for the benefit of their members with a special form of legal registration which confers limited liability for their members and gives them a separate legal identity."²

The debate has therefore concentrated on attempting to reassure the two types of organisation that these mutual fears are unfounded. Stettner (1981) has noted five key causes of trade union reluctance to support the worker co-operative movement.

"First, trade unions appear to be uncertain and confused as to their role in the new kind of bargaining situation posed by workers' co-operatives. In the 20th century they have become accustomed to a traditional "adversary" role, a defensive posture of "fighting the boss", "them and us" ...

Second, trade unions may see new workers' co-operatives as competitors for the jobs of their members. In the context of mass unemployment they sometimes regard plans for new co-operatives as a threat to their members employed in competing firms ...

Third, trade unions sometimes fear that workers' co-operatives may undermine trade union standards by their efforts to reduce labour costs. This issue is also complicated by the problem of pay differentials since most workers' co-operatives are determined to compress differentials ...

2. ICOM Ltd, Trade Unions and Co-ops. An advice note for trade unionists. ICOM, Leeds, (undated), p5

Fourth, there is the fear that workers' co-operatives could endanger the occupational structure of trade unions built up painfully over the years ...

Fifth, and finally, there is the trade union suspicion that workers' co-operatives may be seen as a method of curbing the power of unions, i.e. of 'union bashing'."³

Cornforth (1981) has added to Stettner's list the perception by worker co-operatives that their new status negates the need for trade union membership. Quoting the results of case study investigation with a series of worker co-operatives undertaken by the Open University, Cornforth notes;

"In co-operatives that have been set up without trade union support or involvement, workers often do not see the point of unions."⁴

In a recent publication by the Greater London Enterprise Board, Working Together. Trades Unions and Worker Co-operatives, the ultra-left antipathy to the mainstream trade union movement was expressed in Marcusian terms of the coalition of minorities.

" Women and black people, the first to be abandoned when work is scarce and seldom considered important enough to merit special

3. Stettner, Leonora, "Collaboration between Trade Unions and Workers Co-operatives in the UK", in Trade Union Attitudes to Producer Co-operatives, Sixth Co-operative Seminar papers 11-15, The Plunkett Foundation for Co-operative Studies, Oxford, 3 April 1981, pp31-32

4. Cornforth, Chris, Trade Unions and Producer Co-operatives, co-operative Research Unit, Open University, Milton Keynes, February 1981, p2

attention by the unions, are among those most keen to take advantage of the benefits of co-operation."⁵

and again,

"In recent years the biggest growth in trades union membership has been among women and black people. Indeed the percentage of union membership within the black working population is higher than among white workers. What have been termed "new social forces" (the women's movement, the black communities, gays and unemployed young people) have their own views on the agenda which trades unions should be addressing in the light of contemporary social conditions and employment issues.

If the trades union movement is not to be regarded as an anachronism by people with the worst job prospects, unions will have to accommodate their aspirations even if, on occasions, these appear to conflict with the interests of more traditional sources of union membership."⁶

With the debate being couched in such negative and mutually recriminatory terms - by people advocating closer liaison - it is hardly surprising that Stettner is able to record without fear of contradiction that;

"It is a sad truth that in the United Kingdom at the present time there is very little collaboration between trade unions and workers' co-operatives."⁷

Neither Stettner nor Cornforth seriously address the problems they identified. In their separate discussions on the role of the trade unions they cite

5. Greater London Enterprise Board, Working Together. Trades Unions and Worker Co-operatives. Gleb Co-ops Unit, London, 1985, p22

6. *ibid*, p35

7. Stettner, Leonora, *op cit*, p29

evidence drawn from very much larger co-operatives abroad such as Mondragon (Spain), Histadruth (Israel) and Lega (Italy).⁸ Such examples have no parallel in the UK. These examples of trade unions working with co-operatives serve to further reinforce a basically conservative perception of the role of trade unions. In concluding his discussions of the largely negative experience of trade union involvement in a large British Worker Co-operative (KME) Cornforth speaks of the union relationship to management in terms that almost restate current TUC policy towards industrial democracy.

"These experiences suggest that although unions may have to become involved with the management of co-operative enterprises they must also preserve their independence, and that they do have a role as guardians of workers' interests against the resurgence of conventional managerial prerogatives and practices."⁹

The role that trades unionism is allocated to help worker co-operatives centres on their traditional roles in industry in general, the emphasis being to show the relevance of this for worker co-operatives.

The Greater London Enterprise Board (Gleb) pamphlet put the case for trade union membership in worker co-operatives thus;

"The Transport and General Workers Union now

8. Cornforth, Chris, op cit, pp9-10, and Stettner, Leonora, op cit, p35

9. Cornforth, Chris, op cit, p5

has two branches for co-op members in London
...

The specialist branches can help them to discover just what their entitlements should be, how comparable firms operate, and establish priorities and a timetable for the improvement of working conditions. Perhaps more importantly, unions are able to offer a wide range of services, from education and research facilities to sickness benefits and legal assistant."¹⁰

Stettner and Cornforth recognise the possibility of trade union financial assistance for co-operatives yet give it little attention. Stettner does quote a Danish example of trade union funds for worker co-operatives;

"As yet there is little evidence of significant trade union support for workers' co-operatives in recent years. The most likely method would be through the channelling of funds by national trade union federations into some kind of national co-operative development fund.

There are two such institutions in Denmark. The Workers' National Bank, the sixth largest bank in the country, has as shareholders trade unions, the LO, the DkF, the political organs of the Labour Movement and the individual wage earners. The Co-operative Development Fund is a revolving fund started with contributions from the LO, the DkF and the Workers' National Bank, and it provides workers' co-operatives with assessment and monitoring services in addition to loans - similarly to the operations of the Caja Laboral in the Mondragon co-operative complex."¹¹

Cornforth makes out a case as to why trade unions should provide financial and technical assistance;

"In the first place it would appear that structural unemployment is to be an

10. Greater London Enterprise Board, op cit, pp45-46

11. Stettner, Leonora, op cit, p39

established feature of our economy unless drastically new economic policies are devised ...

In the second place, many co-operatives start up as small businesses, an area in which trade union membership is often very low. If trade unions were to actively support and promote such co-operatives, in a manner compatible with the wider aims of the labour movement, they would stand to gain new members and be able to safeguard another sector of workers ...

In the third place worker co-operatives may provide an important strategy by which trade unionists can fight plant closures ...

In the fourth place worker co-operatives provide the trade union movement with an important experiment in industrial democracy."¹²

Combatting unemployment and extending trade union organisation to previously unorganised workers is seen to be the key to the trade union/worker co-operative relationship by contemporary commentators like Cornforth.

McMonnies (1984) shows in his survey of Trade Union Attitudes Towards Co-ops (16 district officials of 9 Merseyside trade unions) that today's trade unionists have little perception of how to constitute their relationship with worker co-operatives and do not see a significant role for these organisations in developing trade union strategies.

12. Cornforth, Chris, op cit, pp5-6

Table 11.1 Taken from "Trade Union Attitudes to Co-ops: a Merseyside Case Study. Working Paper No 14, Dept of Pol., University of Liverpool.

"On a scale of 1-10 (with 1 being low and 10 high) where do co-ops rate as an issue inside your union?"

		<u>No. of District Officers</u>
High 10	(A.S.T.M.S. 1)	1
9		
8	(T. & G. 1)	1
7	(N.G.A. 1)	1
6		
5		
4	(A.U.E.W. 1) (U.S.D.A.W. 1)	2
3	(G. & M. 1)	1
2	(A.U.E.W. 1) (N.A.L.G.O. 1)	2
Low 1	(USDAW 2)(NALGO 2)(ASTMS 2)(TUC 1)(G&M 1)	8
<1	(T&G 3)(UCATT 2)(USDAW 1)(EETPU 2)	8

13.

Certainly on McMonnies' evidence in Liverpool the level of trade union awareness of the potential value of worker co-operatives is very low indeed.

McMonnies' research confirms what supporters of worker co-operation have long understood. The cause of the average trade unionist's dismissive attitude towards

13. McMonnies, Dave, Trade Union Attitudes Towards Co-ops: A Merseyside Case Study, Working Paper No 14, Dept of Pol. Theory and Institution, The University of Liverpool, (undated), p4

worker co-operation is based on the latter's failure to fit unambiguously into the framework of collective bargaining. That in practice direct collective bargaining and political lobbying through the Labour Party have become the only means trade unionists consider seriously shows the extent to which they have adjusted their objectives to accommodate an acceptance of Clegg's (1951) proposed role as permanent opposition.

The historical background to trade unionism and the wider social objectives of ownership and control of the means of production and distribution that inspired the movement's founders has largely been forgotten. It is considered a relic of the past, which, for purely sentimental reasons nobody has bothered to have deleted from the rule book. We will develop this point in the following section but it needed raising here because in the context of worker co-operative and trade union relationships today there has been at least one attempt to remind both parties of their joint historical roots.

The Gleb booklet Working Together. Trade Unions and Worker Co-operatives discusses the ideas of Owen and William Thompson.¹⁴ Somewhat typical of the Gleb analysis in general, this historical survey refers to Thompson's vegetarianism and feminism but fails to develop the latter's small savings strategy and its

14. Greater London Enterprise Board, op cit, pp12-16

possible relevance for today. Hodgskin and Bray are not even mentioned and the historical survey moves on to a restatement of the Marxist position towards co-operatives with, however, one apparent addition. According to Gleb, Marx advocated trade union investment in worker co-operatives. The point is unreferenced and the present writer cannot find the source of this claim that Marx advocated such a proposal. There is no doubt that Gleb would like trade union investment in worker co-operatives providing that investment could be channelled into projects favoured by the new priorities of minority political protest and feminism.

The Christian Socialists are particularly misrepresented in the Gleb history;

"The influence of the Rochdale Pioneers who also ran their own workers co-op was considerable. Similar consumer co-ops sprang up all over the country, and the ideas were taken up by the Christian Socialists, a middle class movement intent on improving working conditions and industrial relations."¹⁵

A reference back to our Chapter 4 will quickly show that the above is not so much a simplification of the facts as a distortion. The Gleb history totally fails to address the consumer v producer debate or the attacks on worker co-operation by Beatrice Potter. In addition, Gleb's lack of consideration of Neal's vision for a federated relationship between producer and

consumer co-operatives meant that much of the origins of the contemporary divisions within the co-operative and labour movement remained unexplained.

The most important omission of all, in the context of the Gleb booklet's overall objective, was its failure to consider the early unionist aspirations - particularly the A.S.F. - who more than any other union sought to develop alternative co-operative-based strategies for combatting the employer.

However, this omission is hardly surprising given Gleb's commitment to the concept of state sponsorship of co-operatives as the only realistic solution. Gleb makes clear their view of the worker co-operative role as a channel for agitation and politicisation. In economic terms worker co-operatives have only a marginal role according to Gleb;

"Marx saw co-ops as both a breeding ground for new ideas, and a means of gaining experience and passing on the message, indeed as forming the groundwork for a new society, backed up by trade union investment in such enterprises." 16

and,

"Striking a balance between the potential of co-ops to provide alternative employment, and the limitations of their role in solving large scale unemployment is an important task for trades unionists and co-operators alike.

These contradictions have also arisen in the debate about how to counteract the present government's privatisation plans. TUC-affiliated unions are rightly

antagonistic to collaboration in the breakup of public sector jobs and services, and oppose suggestions that public sector workers should form co-ops to tender for contracts." 17

In the end the Gleb booklet neither adequately explores the historical background for the divisions and conflicts between co-operator and trade unionist nor provides a satisfactory resolution of these apparent contradictions. To this question we now turn.

11.3 Trade Union Objectives and Strategies

There is an extensive literature both radical and conservative concerning the objectives of Trade Unions. The Webbs were the first to use the term 'collective bargaining' to describe Trade Union activities in Industrial Democracy (1902) and in their History of Trade Unionism (1920) provided a broad definition of the objectives of Trade Unions as,

"... a continuous association of wage earners for the purpose of maintaining or improving conditions of their working lives." 18

There has been a challenge to the Webbs' view of Trade Unions as essentially involved in an economic activity by Alan Flanders (68) who saw the Trade Unions' role in political terms with objectives more to do with rule-making than wage determination. Flanders' case was not completely accepted and Fox (75) took up a defence of the Webbs' position. Today most writers would accept

17. *ibid* p41

18. Jackson, M.P., Industrial Relations, Croom Helm, London, 1977, p68

that Trade Unions pursue both economic and political objectives (Jackson, 77). The tension within the practice of collective bargaining between the essentially sectional focus within the firm and the broader class-based issues raised at industrial level have been reviewed by Clark and Clements (77). The issue of concern in this area of the literature is the pressure towards the incorporation of Trade Unions within the capitalist system - the "non-political" company based union - versus the potential Trade Unions occasionally demonstrate to develop into a broader, more radical political movement of class conscious workers. Clegg (51) has argued for an essentially static role for Trade Unions as an opposition that can never become the government. Others such as Lozovsky (35) have acknowledged, as did Marx, a crucial role for Trade Unions to mobilise workers for the overthrow of Capitalism. An analysis of British Trade Union rule books shows a currently dormant legacy of a more radical past. For example the Engineers' rule book calls for;

"... the extension of co-operative production to assist in altering the competitive system of society for a co-operative system."¹⁹

Here we find more than a small echo of Thompson. Whether one accepts as valid radical or conservative objectives for Trade Unions the fact remains that without a substantial influence in the labour market it is

19. Taylor, R., The Fifth Estate, Pan Business Industrial Relations, London, 1980, p230

difficult to envisage what pressure Trade Unions would, independently of the State, be able to bring on employers or governments.

The idea that trade unions seek to control the labour market may appear at first glance to contradict the neo-classical marginal productivity theory (Cartter, 59). According to this approach trade unions seek to increase wages, but it is employers who determine employment levels. The profit-maximising employer will employ just enough labour at any given wage rate to ensure that the worker's wage just equals the worker's marginal revenue product.

The wage rates may be established by pure market forces or by trade union intervention according to this theory. In either case the individual firm has little control over wage rates. The Firm's primary variable, therefore, is the level of employment. It is claimed there is a direct functional relationship between the level of employment and wages.²⁰

However, as marginalist theory accepts, in an oligopolistic situation the relationship between wage levels and employment may not hold over the short run.

"If a kinked demand oligopoly situation is a common one, however, the employment effect may have a considerable lag."²¹

Cartter sees trade unions as having little concern over employment levels. The

20. Cartter, A.M., Theory of Wages and Employment, Richard D. Irwin, Inc., Illinois, 1959, p19

21. *ibid*, p47

"... 'wage-preference path' ... indicates that unions will prefer to use an increase in demand primarily for a wage increase ... Similarly, with a decrease in demand, a wage cut will be resisted unless the decline is quite substantial."²²

Such a proposition would appear to fit observed trade union behaviour during the post-1979 period of rising unemployment and rising real wage levels. But there is a degree of unreality attaching to the proposition. For wage income depends on being in employment so for the individual worker (and trade union member) it is impossible to opt knowingly for a wage rise that puts him out of work (i.e. without a wage at all). Trade Unions have got around this problem by negotiating generous unemployment compensation and pension packages or else have allowed natural wastage type solutions to cope with employment shrinkage. It is only in this way that the proposition by Cartter can be seen as rational behaviour.

Cartter presents the view that the relationship between wages and employment levels in practice is complex and subject to a number of influences but considers that nevertheless,

"... market forces are primarily important in shaping and in settling an outside limit to wages and employment determination."²³

with the process of collective bargaining being seen as,

22. *ibid* p92

23. *ibid* p92

"... a process of resolving the problem of conflicting preference schedules of trade union and employer." ²⁴

However this begs the question as to what determines the point of agreement or settlement for these 'conflicting preference schedules'?

This section cannot attempt a thorough analysis of all the various actions and sanctions that trade unions can bring to bear in the pursuit of their goals through the processes of collective bargaining. Nor will it be possible or indeed relevant to our theme to examine the legal processes that trade unions can under certain circumstances apply whether or not an employer has afforded them recognition.

We believe that, notwithstanding the complex web of particularities that affect negotiated outcomes, including temperament, skill, values, etc., the point of 'agreement' between the "conflicting preference schedules" will be primarily set by the same market forces that determine the 'outside limit to wage and employment determination', i.e. the condition of the labour market.

What this section will be concentrating upon therefore, is the trade union's intervention in, and attempt to control, the labour market. We argue that beyond and above any other issue, the trade union's ability to control or not to control the labour market determines

24. *ibid* p92

its real effectiveness and is the real test of the balance of power between labour and capital.

The first question we need to address therefore, is what factors act as a constraint on the availability of labour and secondly what means are available to trade unions to influence these factors? We have already argued in our analysis of Dual Labour Markets and the Labour Process in Chapter 9 that central to current management of human resources strategies, supported by the post-1979 Government legislative programme, is the abolition of internal and external labour market "rigidities".

This strategy holds to the goal of enabling the full impact of the laws of supply and demand to take effect on the price of labour. The present context for this strategy is very high levels of unemployment. The substantial lowering of the price of labour would seem to be the only possible outcome should the worker become exposed to market forces without any counter-vailing process to mitigate their impact. Alongside a lower price for labour goes a further objective which is complementary to it of less job security for the employee.

11.3(i) Factors affecting the supply of labour and the trade union potential for effective response

The supply of labour is a function of the following variables;

1. Population growth
2. Population mobility
3. Skills & Experience
4. Cultural Attitudes and Values
5. Legal Controls
6. Organisation into Closed Shops
7. The economic need to seek wage-based employment

Clearly trade unions have no control over Item 1, Population Growth. The evidence appears to suggest that growing affluence reduces the birth rate, rather than, as Classical Economists expected, increasing it (in the long run at least).

Item 2, Population Mobility, is between countries at least subject to legislative regulation but capitalist states are able to ignore domestic political pressure to a large enough degree to permit substantial migrant labour inputs into the domestic labour market (Power and Hardman, 78). Trade unions in the past gave benefits to their members who, like Bray, were forced to go on the tramp. Clearly the unions could provide co-operatively run housing and transport services to enable some small minority of their members to settle in London and the South of England. Provision of chartered coaches to return men and women home at weekends could also be a valuable service together with hostel accommodation, for unemployed members. The hostels could become centres

for trade union advice, recruitment and general information for those areas of the labour market most prone to non-union casual labour. Assisting labour mobility and checking, through the provision of accommodation and transport, some of the worst aspects of this whole process could make a useful contribution as a part of a total package of measures aimed at regaining control of the labour supply.

Item 3, Skills and Experience was a trump card for the old craft unions with the time-served apprenticeship system. Today the unions have almost completely lost this important tool of control. But even given the reduced need for skills in so many fields the unions could, and in the EEPTU case do, provide high quality training and retraining for their members, thus greatly increasing their market value to the employer. All unions should and could do more of this for employed and unemployed members. They could establish new higher standards of competence in skilled and "unskilled" occupations alike and show once for all that all work employs the use of skills. The unions are critical of much of what they see as cheap labour elements in the MSC provision for training. They could not match the volume of an MSC scheme but they could surpass its quality and create a context whereby employers wanted to get into a trade union training college/ scheme.

In addition it would cost the unions very little to provide unemployed members with a professionally produced CV and a pack of advice notes on job application and the benefits and services available to help them.

Item 4 is one upon which despite much criticism the trade unions have been making important strides forward in the fields of racial tolerance and equality of opportunity and remuneration for women. The major work that remains is not in these areas, however, indeed the encouragement of women into the labour market in present circumstances can only have the impact of putting further downward pressure on the price of labour.

Item 5, Legal Controls, is of course a matter upon which the unions are ever vigilant but in today's climate there is realistically little the unions can expect to achieve through parliamentary lobbying. Nevertheless this vital political work cannot be abandoned.

Item 6, the Closed Shop, is being systematically smashed by a mixture of new technological innovation and legal regulation. However the unions have maintained many closed shop agreements in the teeth of Government legislation between 1980 and 1987. They may be able to counter government strategies by developing a wider range of services and by improving the marketing of these services. Trade union recruitment

has not yet sought to develop modern media techniques for its own purposes.

Item 7, the Economic Need to Work, is of course the most important pressure forcing millions of men, women and young and older generation people onto the labour market. It is, therefore, with the development of a strategy to provide an alternative solution to selling one's labour power to private capital that the rest of section 11.3 will be concerned. For if the unions can provide a realistic alternative for people in search of work then they will have moved significantly nearer to their objective of control of the labour supply.

We have discussed briefly items 2-6 above because we wish to make the point that an approach to re-establishing trade union control over the labour market requires a many-sided approach. We believe that our proposals below are of major importance in the development of such a strategy but wish to signal very clearly that we do not believe this to be the only scheme that needs to be developed at this time.

The ideas we have mentioned in connection with items 1-6 are merely to illustrate the kinds of alternative approaches modern unions could consider once they clearly acknowledge control of labour supply to be the critical objective. Clearly much market research, pilot projects and feasibility studies need to be instituted before radical new strategies are introduced. Nor are we advocating the abandonment of

the use of the strike weapon, political lobbying and agitation. Such methods are available when effective but when these weapons are blunted or negated by changed circumstances then other means to achieve trade union ends must be developed.

In order to secure the trade union's goal - its main *raison d'être* - of greater rewards for labour - it needs to go further and gain greater control of the labour supply. To do this the unions must provide their members with the means to maintain themselves in employment independently of private capital. These two objectives are interdependent because of continuing high unemployment. Unless the trade unions succeed in containing unemployment there will always be a threat to their ability to achieve control of the labour supply and thus to the union's ability to increase the rewards for labour.

The importance of worker co-operation is its potential as part of a trade union strategy for intervention in the Labour Market. Their importance lies precisely in the fact that they can function within the terms of a free market based small firms strategy. At just the moment when the industrial power and the political power of trade unions is waning and Capital is reorganising the labour process itself (see Chapter 9) in a manner to make the organisation of labour on the shop floor extremely difficult, the Worker Co-operative offers the unions an alternative means to control that labour market and defeat unemployment.

By increasing the demand for labour the co-operatives raise the potential 'outside limit' for wages and improve their members' job security in as far as employers are often not willing to dismiss staff when they are less confident that ready replacements are to be found. By using a co-operative job creation strategy we are implicitly accepting the proposition that employment is determined by the firm. But we are suggesting that in this case the firm itself is nothing other than an association of workers. We are suggesting that associations of workers in trade unions and those in co-operatives function, or rather can function, in a manner that is complementary, mutually reinforcing and resulting in the overall improvement in the economic condition of labour measured both in terms of wage levels and employment.

The theoretical difference in the behaviour of the standard neo-classical firm is that the latter's behaviour is based on the assumption of

"... a demand for a factor of production which is based upon profit maximisation..."²⁵

whereas, the co-operative firms (based on associations of workers) are investing capital not for profit maximisation but for job creation. Capital investment to generate wages not profits. The decision to invest in this latter case is determined by the amount of gross product rather than net product that the investment

25. *ibid* p173

generates. Should such a wages/employment directed investment strategy succeed in mobilising even a small increment of the discretionary income of workers it may well result in a declining return on capital but without negatively impacting on output or employment.

It may be objected that workers who own their own business will want to maximise the return on capital just like any capitalist. We will not dispute this proposition in so far as it relates to the self-employed worker or to the small partnership (whether formally constituted as a co-operative or not), although we note that the evidence of Scase and Goffee (80) referred to in Sec. 9.8 suggests that profit-maximisation was not the primary motivation for this class of small businessman. However worker-members of a genuine association of workers we maintain will be more concerned to share in the surplus through wage payments and employment based benefits than to maximise their return on capital. This is partly due to the limited stake, in capital terms, that any individual worker-member has in the co-operative. The available evidence suggests that although over time an individual's capital holding will grow, in the case of co-operatives who do pass on a share in the capital growth to worker-members, this capital stake is in fact, a shrinking proportion of total capital within the co-operative firm. Thomas and Logan (82), in the conclusions to their analysis of financial planning in the Mondragon co-operatives wrote;

"CLP's objectives, however, are rather different to the usual criteria of high profitability ... CLP's long term strategy ... has been spelled out in ... specific objectives, relating to education, research and development, the need to support production of private and public goods, for the creation of employment, and incomes policies ... Individual ownership claims have been reduced over a period of about 15 years from 95 per cent to less than 40 per cent." ²⁶

The evidence of Wilson (82) supported by our own research (see tables 10.9 and 10.11) that the older the co-operative the larger is its proportion of full-time to part-time worker-members lends further credence to our suggestion that associations of workers are concerned more with the provisions of employment for reasons unrelated to the principle of the maximisation of the return on capital. Co-operative businesses operate on the principle of a limited return to capital quite contrary to the assumption of neo-classical economic theory. Nor does this co-operative principle of limiting the return on capital appear to impede the co-operative firm's competitive performance or investment record on the evidence of Mondragon to which we refer in Sec. 11.6(i).

Worker co-operatives turn the ideological tables on the

26. Thomas, H. and Logan, C., Mondragon. An Economic Analysis, George Allen and Unwin, London, 1982, p94

Neo Classical Right with its 'free market' ideology operating in the midst of the Oligopolistic reality of the Dual Economy. For they cannot be effectively legislated against and are quite able to operate within the very secondary economy and secondary labour market developed precisely to thwart labour organisation. The fact that co-operative employment gives workers greater control and satisfaction at work is an added advantage because it makes it all the more (ideologically) hard to resist the claims of labour for greater industrial democracy in general.

On the political and ideological terrain worker co-operatives are a very difficult target for right wing ideological attack as they are based on values which the establishment has always sought to make its own; free competition in the market; self-help; hard work and thrift.

The mechanism by which worker co-operatives become such a potentially effective strategy for trade unions is twofold. Firstly, worker co-operatives become a mechanism by which workers can eventually own the means of production and distribution over time by being able to retain their surplus product. This enables the co-operative to pay off its loan finance. It is precisely the lack of ownership of capital that was identified by the English Labour Economists as at the root cause of the labourer's distress and exploitation.

Secondly, co-operatives become an alternative source of employment which, properly managed, being free of the need to compensate shareholders, should be able to absorb labour that capitalist firms operating at the margin of profitability are forced to shed in time of recession either through contraction or bankruptcy. The availability of worker co-operatives to soak up redundant workers and continue in business in competition with private capital will lead to a relief of pressure for a downward adjustment in wages in general whilst at the same time continuing the competitive pressure on general profit levels in any given sector. We return to this crucial point in 11.6.

It remains for us to explain the means by which the Trade Unions can mobilise worker co-operatives as a force to influence the Labour Market in general. Chapter 9 illustrated how the concept of core and periphery worked to mutually reinforce capital's power over labour by establishing a series of increasingly less secure employment relations. We shall now show how trade unions can defeat this strategy and put Capital back on the defensive.

11.3(ii) Trade Union and Co-operative Movement as co-managers or worker co-operative development

Today's trade union movement, in partnership with the Co-operative Bank and Industrial Common Ownership Finance Ltd could form a non-profit consortium for the promotion of workers co-operatives. The idea is that

both employed and unemployed workers plus other sympathisers should contribute regular donations, along the lines of the Redemptionist strategy, direct to a special account held by the Co-operative Bank. The contributions could take the form of non-redeemable gifts of £1.00 per week. Current legislation makes it hard to divert savings into high risk job creation without massive liability on the investing institution for lack of prudence. This ensures that savings schemes reduce still further the amount that could be given over to co-operative investment and makes the interest on loans charged to the co-operatives meet more competitive pressures on interest rates. A small gift, on the other hand, an act of solidarity, may in fact be easier to mobilise than large scale savings in our British context and its subsequent use avoids these pitfalls.

The fund would be administered in precisely the way the current ICOF revolving loan fund works and the trade unions and the Co-operative Bank would jointly manage the fund with ICOF Ltd. The Bank would act as the channel for the contribution and the Trade Unions would act as the primary marketing agency for the scheme. Apart from the Co-operative Bank's branches the Bank also has, through the agreement of the consumer co-operative movement, the largest in-store banking network in Europe through which individuals could deposit their donations (CWS Ltd. Annual Report 1987, p16).

Many companies operate union dues schemes deducted directly out of the pay of workers. Such schemes could easily be adapted to enable the additional donation to be paid in and then transferred by the Trade Union to the fund. Even if many employers refused to co-operate the unions have approximately a quarter of a million workplace representatives and lay officers. No other voluntary association can boast of such a network of helpers. Many of these through their training and experience would undoubtedly become enthusiastic supporters of the scheme once its objectives and benefits had been explained to them.

The worker co-operatives created would have to produce viable business plans capable of demonstrating their ability to do two things. Firstly, pay back the capital advanced by the consortium and second sustain a given level of employment during the pay-back period at pay levels equivalent to the minimum rates of pay established by collective bargaining. The unions would have to accept that other aspects of working conditions, hours, holidays, job flexibility would be up to the workers themselves providing their decisions do not conflict with the two requirements for advancing a loan. A third requirement would be to register the co-operative as an ICOM Co-operative thus ensuring that in the event of a subsequent winding up of the business the residue was returned to the consortium for further co-operative investment. Management structures would vary according to need, from collectively managed to professionally managed. The only consideration

being how to best secure the self-employment of the workers concerned.

All workers employed in union funded co-operatives would become full members of their appropriate trade unions and rates of pay would adjust in accordance with nationally agreed rates. The co-operative memorandum would bind the co-op to never paying below union rates but after the loan was cleared they could pay above if the business could sustain it. Should a co-op not be able to sustain the union rates of pay it would be required to make workers redundant or else close down.

In this way co-operative business could not undermine workers elsewhere. Nor should this be seen as a harsh policy for two reasons. Firstly, the rule becomes an inbuilt incentive for efficiency and when, and if, it became necessary to apply the rule then, as union members, the redundant co-operators would be considered for further co-operative employment elsewhere, either in a new or expanding co-operative. Secondly, a co-operative operating along these lines still needs only to make sufficient surplus for the continuation of the business. The firms in competition require a return on investment over and above the profits required to be ploughed back. Hence the demand is not unreasonable. Also and this is important, if there clearly was no nationally negotiated minimum rate - such as in much of the service sector employment then an agreed competitive bench mark wage would be set reflecting

the real levels of wages being paid or marginally above if this could be afforded.

The small donation based scheme would be aimed at both employed and unemployed workers who would both make at least the minimum contribution. Unemployed workers, once members of the scheme could be offered a special rate for union membership in whatever was the union of their choice. Casual workers could be treated in a similar fashion.

As there would clearly be more applicants than funds for the early years of the fund's existence a person's record of contribution (over time or amount) could be a factor in ensuring priority once the commercial viability of the co-operative proposal had been established. The inclusion of unemployed persons and people from non-unionised sectors in the scheme would ensure their organisational link to the labour movement. If the Co-operative Bank kept a record of individual contributions through an adaptation of their existing paying in mechanism to include name, address, occupation and number of weekly contributions (personal a/c holds much more information on their data bases already) then the information could be fed into a TUC/ICOM run central computer to set up a co-operative labour exchange.

This major incentive for both union membership and unemployed membership of the scheme would help promote the penetration into traditionally difficult areas. What, however, it may be asked is the incentive for existing employees - many in core economy, internal

labour market jobs consistently, over many years, to give away even a small amount of money? We suggest that the marketing of the scheme would need to concentrate on the following elements.

1. Altruism: There is already a growing ethical investment movement (Friends Provident, Mercury Provident and ICOF plc are some examples). There is widespread concern for the unemployed and people are looking for ways to help support practical solutions that do not appear to involve radical political postures. All opinion polls indicate a high level of public awareness and concern for this problem.
2. Strengthening of Collective Bargaining: Trade Union members need to be impressed with the scheme's potential to reduce unemployment levels and help bring market forces to bear to support collective bargaining objectives. Such a plan is both an act of solidarity with fellow workers on the dole and an additional leverage on the bargaining process which need cost the average trade unionist only the most marginal increment of their discretionary expenditure.
3. Insurance against future unemployment: Although no guarantee of co-operative employment could be given, the priority consideration for funding or employment will of itself make many workers feel that becoming a regular weekly contributor to the scheme carries a limited insurance against future unemployment. As we demonstrate in Appendix 1 given time the scheme might well be able to make such a promise.

We feel that all three arguments present a powerful combined incentive for employed workers to contribute.

Apart from using their existing membership and recruitment facilities to market the scheme, many trade union negotiating officers and research departments could provide valuable market intelligence for encouraging the establishment of strategically located businesses of particular types to meet production gaps due to firm closures and to help ease acute local labour market problems. Also such businesses could become subjects for collective bargaining pressure - as alternatives to overseas sourcing for larger corporations. Trade union involvement in the business development end of worker co-operative creation rather than in simply raising the money, might provide the necessary incentive for the unions to invest time and resources into the investigation of the latest scientific and technical developments which Hodgskin urged on his contemporaries. Today one of Britain's biggest unions - the MSF - has a membership with the skills and knowledge to lead such a programme, as has the EEPTU and Natfhe.

In this section we have sought to demonstrate the commonality of ends between Trade Unions and Worker Co-operatives. Finally, we suggest that, more than this, Trade Unions are in any case just a specialised form of worker co-operative operating at the secondary rather than the primary level. They operate on the basis of mutuality, democracy and equity. They exist solely for the benefit of their members and all their

assets are non-divisible and collectively owned. They are rather like farmers co-operatives in so much as they try to provide countervailing market power for the provision of labour and the supply of services to their markets. Trade Unions could just as easily be renamed Multi-purpose Labour Supply Co-operatives. Once the name change is effected and with it the realisation that they are the result of worker co-operation at the macro (class) level then the commonality of purpose between the worker co-operative and the trade union becomes so obvious that one becomes shocked by all the controversy and mutual suspicion that has occurred.

11.3(iii) New firm formation - a co-operative strategy for maintaining the general level of wages

The first question such a proposal must address is its practicality in terms of economic analysis. Clearly in any industry there is a minimum efficient scale of entry and conventional economic theory would maintain this acts as a barrier to either new firm entry or for existing business to transfer or diversify, with post entry profits as the real criteria for decision making.

"Much of the conventional entry theory has been built upon the concept of the limit price (Waterson 1984, Clarke 1985). This refers to industries in which there are increasing returns to scale up to a level of output which is a significant proportion of the total market. The impact on aggregate supply of an entrant, of at least minimum efficient scale, will be to depress market price and consequently the level of profit. Post-entry profits rather than existing profit levels should therefore be the decision-making criterion for potential entrants. This fact allows existing firms to achieve actual profits at a level (above 'normal') such that the level of expected

post-entry profits is sufficient to discourage potential entrants."²⁷

However, post entry profits would have to be below the point where the worker co-operative could pay wages at the required level and ensure its own continuation before the entry decision need become negative.

Another important barrier to entry - particularly where minimum efficient scale criteria are considered - is the price of capital goods.

"A reduction in final demand thus increases spare capacity in the industry leading to plant and machinery being sold off by liquidators and, to a lesser extent, by existing enterprises. In recessionary conditions reductions in capacity by larger enterprises will result in a major increase in the availability of second-hand equipment, dwarfing the increased demand by entrepreneurs starting in business. These characteristics of the second-hand capital market are clearly shown by Binks and Jennings (1986). This reduces the price of second-hand equipment which is the major entry barrier that the entrepreneur faces."²⁸

As the entry of co-operatively run businesses operating within an industry maintains or increases competition for market share so profitability will continue to remain low or decline. This could possibly lead to an even cheaper entry price in terms of the second-hand capital market.

 27. Storey, D J and Jones, A M, "New firm formation - A Labour Market Approach to Industrial Entry" in Scottish Journal of Political Economy, Vol 34, No 1, February 1987, Edinburgh, pp37-38

28. *ibid* p39

Clearly to be really effective more co-operatives will be required to operate at larger scales in order to enter certain industries so the lowering of the costs of capital equipment will be an important consideration. To effectively absorb existing levels of unemployment co-operatives will be required to work in almost all sectors of economic activity and not remain tied to a handful of sectors as in the past. See Chapter 5 Section 6.

There is, however, the argument that;

"whilst unemployment reduces the opportunity cost of business formation it also depletes the assets of the entrepreneur so making entry more difficult."²⁹

The fact of external funding for the co-operatives, led by trade union participation, however, negates this point so long as we can demonstrate that the unions have the ability to fund such new entries. The sourcing of this investment strategy is a matter we shall return to in 11.5.

The relationship between unemployment and new firm entry has been shown to be substantial in a number of separate research programmes, Storey and Jones (1987) cite a number of examples,

"In a survey carried out in the area which is now Cleveland county, 26 per cent of new firm founders claimed to have been unemployed prior to starting their business (Storey, 1982). Other authors who have seen unemployment as a stimulus of new firm

29. ibid p39

"foundation include Dahmen (1970), Wedervang (1865) and Oxenfeldt (1943).

The Cleveland survey, which covered all industries except retailing, found that 60 per cent of new firm founders had remained in the same industrial order (Storey 1982). The comparable figure produced by Johnson and Cathcart (1979) was 50 per cent."³⁰

This data shows that self-employment is a practical option for many unemployed workers. It is arguable that co-operative forms of business - supported by a large sponsoring body or agency provides a more sheltered entrance to self-employment and therefore widens the scope of this option.

11.4 External Financing of Worker Co-operatives

In Chapter 10 (see sec. 10.5 Table 10.20) we clearly identified at the level of empirical investigation the need for external financing as the only real solution to the problem of generating finance for worker co-operatives. Vanek (1975) noted the reluctance of co-operatives to accept external finance and the reliance by most worker co-operatives both by inclination and necessity on internal sources of finance.

"All the actual forms of self-management that we encounter today in the world, be they the Yugoslav worker-managed firm, an Israeli kibbutz, a Western industrial producers' co-operative, or a Latin American farm co-operative, are much closer in their design and actual operation to the case of self-financing and collective ownership than to that of external financing. That these

productive organizations rely heavily on their own funds, primarily in the forms of initial contributions or retained earnings which are largely irrecupable (except in some instances, and only partially, at retirement) is not difficult to understand. Not only are - especially in the Western world - banks and other external creditors unwilling to finance the totality, or even a major portion of a labour-managed firm's assets, but, and this is more important, the firm itself will generally not want such financing because this would jeopardize its autonomy and thus undermine its very nature and raison d'être."³¹

Whilst Vanek may be right in his assertion that "autonomy" appears the raison d'être for many co-operatives in existence today we should not forget that the "Autonomy" of a worker co-operative is far from being a justifiable reason for establishing a co-operative in itself. Our analysis of the historical development of worker co-operatives shows that ownership of the means of production is the true raison d'être for worker co-operatives. Small group autonomy may be better seen as a middle class preoccupation - a distortion - which conflicts with the essential class based social philosophy of co-operation and in particular with the general principles of Universality and Association of which Worley (1942) wrote.³² More recently Watkins (1986) has described the co-operative principles as;

31. Vanek, J. "The Basic Theory OF Financing of Participatory Firms" in Self Management, Penguin Modern Economic Readings, London, 1975, p445

32. Worley, J J. A Social Philosophy of Co-operation, The Co-operative Union Ltd., Manchester, 1942, p8

"Association (or Unity); Economy; Equity;
Democracy; Liberty; Education".³³

In an earlier work quoted in the introduction to
Watkins (1986) Watkins describes Co-operation as an

"... unbroken line of thought and action,
leading from association with their nearest
neighbours and fellow workers stage by stage
to mutually helpful relations with other men
and women in the farthest corners of the
world."³⁴

The nearest one comes to autonomy is the concept of
Liberty, but even here closer analysis shows the
principle to refer to decisions on the job and policies
relating to the co-operative's development. Autonomy
does not work in a co-operative context if by it we
mean separate and isolated development without
attention to the wider movement. Thus external
financing and the loss of local control which it
clearly implies - even if hopefully only on a temporary
basis - does not contradict co-operative principles as
such.

For Vanek, however, the fact of worker co-operation
dependence on internal financing is an empirical
explanation for their disappointing record over the
last century and a half.

"It had always puzzled me how it could have
been possible that a productive organization
based on co-operation, harmony of interests
and the brotherhood of men, so appealing and

33. Watkins, W P. Co-operative Principles Today and
Tomorrow, Holyoake Books, Manchester, 1986, pl3

34. *ibid*, Introduction by Prof. T F Carbery p.xvi

desirable on moral and philosophical grounds, could have done so poorly when subjected to a practical test. It seems to me that we now have both an explanation and a way of remedy."³⁵

Vanek's mathematical model analyses the results of the impact in real terms of underinvestment and corresponding underproduction.³⁶ Vanek shows in his analysis that;

"By contrast to the collectively financed production co-operative illustrated in the first column of Table 1, the economic performance of a participatory firm with external financing would lead to the pattern illustrated in the second column, for an 'ideal' capitalist firm. But in addition, the human and economic advantages of participation, incentives, higher productivity, absence of alienation and a no-conflict atmosphere of work, absent in the capitalist firm, would be added to the redesigned participatory firm."³⁷

Thus we feel able to claim that at both the empirical level (Chapter 10 section 10.5), the theoretical level (Vanek 1975), and in terms of co-operative principles (Worley 1942 and Watkins 1986), there is a very strong case for external funding.

"But of course, to have full external financing (as here defined) and thereby obtain the benefits noted, one can never rely on the conventional private banking system. Conventional banks, whether in Victorian England or the modern United States, would hardly lend much to a producer co-operative, and the co-operative themselves might shun such funding. It must take an act of political will, or a philanthropic (not profit-and power-oriented) group of men to provide the necessary characteristics of the capital market which would support the smooth and efficient operation of a participatory economy or a participatory sector."³⁸

(My emphasis)

35. Vanek, J., op cit, p446

36. ibid, p454

37. ibid, p455

38. ibid, p455

It remains now for us to demonstrate that given the "political will" the available sources of finance exist not simply to finance a handful of worker co-operatives but sufficient to increase co-operative employment from the current level of around 7,000 to 8,000 full-time equivalent workers to a sector employing up to 3 million.

11.5 Sources of finance for worker co-operation

In this section we shall seek to demonstrate that there is sufficient discretionary income available from working class sources to fund the radical expansion of worker co-operative employment. Moreover, we shall argue and attempt to illustrate in Appendix 1 that the Redemptionists strategy of collecting donations rather than savings in the manner referred to in 11.3 is a feasible strategy (given a large minority commitment by working people over a sufficiently long time period) to facilitate a radical shift at the level of the labour market in the balance of power between labour and capital.

11.5(i) The threats and opportunities inherent in Employee share ownership schemes

Today Bray's idea of extending employee capital ownership by incremental savings and increased productivity (see Chapter 7 section 7.4(i)) as a means to increase worker participation in profit sharing and democratise or at least popularise capital is now under serious discussion minus of course Bray's radical perspective. Employee Share Ownership Schemes are today the subject of much public debate in the more

serious financial press.³⁹ Thus the idea that some portion of wage income could be used to purchase share capital is not seriously disputed by orthodox economics unlike in Bray's day when Ricardo's wages fund theory held sway.

John Maynard Keynes (1940) proposed a scheme to divert excess consumption expenditure into savings to pay for the war and in the preface he argued that the accumulation generated by consumer savings would reach such a point that;

"The complete scheme now proposed, including universal family allowances in cash, the accumulation of working-class wealth under working-class control, a cheap ration of necessaries, and a capital levy (or tax) after the war, embodies an advance towards economic equality greater than any which we have made in recent time."⁴⁰

More recently Donald A.R. George (1981) had undertaken a survey of proposals for employee investment funds.

"During the 1970s, however, various West European governments have advanced similar proposals, none of which have yet been adopted. (Denmark 1973, 1979: West Germany 1974 and Holland 1975). All these proposals embody the idea of an economy-wide wage-earner's investment fund. Such a fund would accumulate a given fraction of the wage bill or profit bill on behalf of wage-earners, and would issue non-negotiable fund certificates to them. At a specified time these certificates could be redeemed at a price which would include the share of that certificate in the original fund contribution, plus all relevant capital gains and dividends."⁴¹

39. "Employee Ownership", Financial Times Survey, London, April 13, 1987, and again in March 9, 1988.

40. Keynes, J.M., How to pay for the war, Macmillan, London, 1940, piii

41. George, Donald A.R., Wage-Earners' Co-ownership and the Accumulation of Capital, University of Edinburgh, Department of Economics, Discussion Paper, Series No. 11 1981, p1

George notes that:

"Opponents of the central fund idea have suggested that enterprise-level schemes are to be preferred. They need not involve any element of compulsion ... and they would perhaps give individual wage-earners a greater interest in the success of their particular enterprises. However, a central fund would have the advantage of pooling risks and would probably be less costly to administer. Under central fund proposals all wage-earners would receive, each year, a certificate of equal value, regardless of the size of original contributions. Such an arrangement would presumably have implications for the personal distribution of income which would not apply to enterprise level schemes."⁴²

It is certainly this latter point that is seen as crucial to the Swedish trade unions. In their discussion of Swedish L.O. Policy Rudolf Meidner, Anna Hedborg and Gunnar Ford (1977) noted:

"For many years now the wages policy of solidarity has formed the basis for the co-ordinated wage policy which the L.O. unions have pursued ... to narrow wage differentials between different groups."⁴³

The Swedish unions see employee capital holding as more than a means to generate a fairer distribution of wealth but also as a means to enable the collective exercise of control.

"Collective capital formation is therefore the central feature of a possible system of funds. Moreover, it is only via collective

42. *ibid*, p4

43. Meidner, Rudolf, Hedborg, Anna and Ford, Gunnar, "Employee Investment Funds" in Economic Analysis, Vol II, Part 3/4, 1977, Belgrade, p238

ownership that employees can work together towards greater democracy in industry.⁴⁴

Thus Meidner et al insist that,

"The capital should be administered in ways which provide for a prominent influence on the part of the local union ..."⁴⁵

Such a position is in marked contrast to the Unit Trust ESOP (Employee Share Ownership Programme) model based on the ESOPs operating in the United States. This scheme is not aiming at the extension of employee ownership or control but simply employee participation in profits. The British based United Trust Scheme does, however, have the merit of equality of application within the company to which it applies. Mr. Terry Thomas the Managing Director of Unity Trust is quoted as saying of the venture:

"Our central purpose of the Unity Trust Model is to create new risk capital. We lend money to the trust on behalf of the employees. Since the employees do not have to put up the capital in the first place the scheme allows all to be involved, rather than just those who can afford to take the share risk. The values of the shares will then be driven by the employees own performance."⁴⁶

The British and American ESOPs have only generated a minority stake holding at present. The US General Accounting Office report on ESOPs (1986)

"... warns that the goals of increasing the

44. *ibid* p241

45. *ibid* p242

46. Thomas, Terry, 'Employee Ownership' in Financial Times Survey, Monday April 13, 1987, London p29

number and size of ESOPs may be in conflict with expansion of the role of employees in management because many firms might be reluctant to share control with employees ..."⁴⁷

The principal drawback of ESOP type schemes, however, is their failure to apply the idea of the growth of employee capital ownership to workers in either the small firm sector; the casual labourer; and of course the unemployed. In the British and some continental systems the trade off between shares and wages appears to present the prospect of workers wages through share-ownership schemes being used to provide internally generated equity for a business over which they exercise no direct control. Also these schemes make real wage levels (if shares are a trade off against pay) dependent on profitability. As trade unionists have long recognised, profits can fluctuate for reasons completely beyond the control of labour and are available for manipulation by accounting techniques. In short wages in these schemes are made to bear some of the risks of capital but the labourer is still not able to exercise any of the prerogatives of capital.

We do not dismiss the employee share ownership schemes - indeed they play an important role in our own proposals. But we do argue that such schemes taken in isolation are not the best way forward for trade

47. Tait, Nikki, 'Bugbear of Equity Participation', in Financial Times Survey, Monday April 13 1987, p30

unions. The ESOP model would tie workers closer to their firm weakening any sense of class solidarity. They could diminish the long run importance of pay bargaining as bonuses start to reach significant proportions of basic pay. By dividing workers on the basis of company rather than uniting them on the basis of class or industry such schemes fit into the Labour Market Strategy of the Dual Economy as outlined in Chapter 9.

Lastly, ESOPs on their own will do nothing to enable trade unions to widen their membership to the poorly unionised sections of the labour market or to incorporate the unemployed. In short they make no contribution to the trade unions' overriding objective of control of the labour supply.

11.5(ii) Discretionary income and job creation

In the 1986 third quarter, the total working population (seasonally adjusted) stood at 27,849,000 people.⁴⁸ The total unemployed (including school leavers) stood at 3,297,500 persons.⁴⁹ This defines the labour market as made up of all employed and registered unemployed (but available for work). The employment segment stood at around 24 million in 1986. This ignores those who are

48. Table 36, National Employment and Unemployment (1) in CSO. Economic Trends, April 1987, HMSO, London

49. *ibid*

available but not registered. We also ignore the fact that if near full-employment was achieved wages may rise to a level that tempts people presently without an incentive to work to go back into employment.

These omissions are not fatal to our argument for it is generally recognised that low levels of unemployment rather than its absolute elimination would, given strong trade union organisation, be enough to make a supply side impact on the price of labour. Secondly, any attempt to calculate the unregistered unemployed would be subject to a large margin of error.

In terms of income the average male wage for all industries and services, in all occupations, stood at the end of 1986 at £203.40p per week and for females it stood at £134.70p per week.⁵⁰ The level of savings for 1986 as a whole stood at over 10% of personal disposable income.⁵¹

Even a relatively modest diversion of working class savings into effectively managed job creation schemes could over a relatively short period of time - less than it takes to pay off the average mortgage or pay into the average endowment scheme - absorb all our current levels of unemployment.

50. Table 56. Earnings and Hours in Employment Gazette, May 1987, HMSO, London

51. Table 10. Personal disposable income and consumption in CSO, Economic Trends, Annual Supplement No 2, HMSO, London, 1987

In fact the real amount of discretionary income available to workers may be much higher than these figures suggest. Certainly an increasing level of consumer income now goes into items other than basic necessities such as food, clothing, housing, energy for domestic and travel needs and transportation in general. In 1985 for example over 9% of consumer expenditure went on alcoholic drink and tobacco.⁵²

Clearly the average worker can afford a donation of £1 per week. On the basis of these figures at the personal level such a contribution would hardly be noticeable in its impact on his or her level of savings or consumption. We shall calculate on the basis of around one third participation of the employed workforce, ie. 8 million workers. This figure is equivalent to the entire national membership of the Consumer Co-operative Movement and approximately 80% of the total affiliated membership of the TUC. Although 8 million is a large number of people, we argue that clearly the Labour Movement has already proved itself capable on other issues of mobilising such a number of people to participate in and contribute financially to its organisations.

As we have stated earlier we shall assume that the weekly £1 is a donation that is irredeemable and that accrues no interest to the donor. In view of the

52. *ibid*, Table 11

relative ease with which banks are able to collect donations for charitable purposes we shall assume that the management costs of collection represent 1% of the total revenue and in line with ICOFs current experience of the costs of fund administration and loan supervision, that other management overheads equal 6% of total revenue. Also based on current ICOF Ltd practice we calculate a rate of interest charged to worker co-operatives for the loan capital of 12% per annum. We have assumed an average pay-back period of 5 years and an annual rate of loss at 30% for all monies available for lending. The later figure it may be argued is a little on the low side. However we have also made no allowance for additional jobs created owing to internally generated growth from the co-operatives themselves or the access to additional funds once our scheme funding had been assured. Banks are often more willing to participate as a minority creditor.

We do not make any allowance for job losses arising from failure because the 30% of revenue figure has not assumed any recovery which would enhance further lending. Also in any one year it is unlikely that, even if the co-operative fails, the membership would go straight back onto the job market. We have settled somewhat arbitrarily at a figure of £4,000 for cost of a co-operative job created, this is slightly below the half-way mark of the CRU estimates of the cost of co-operative jobs of £2,400 and the Gleb figure of

£6,000, see Chapter 10 section 10.4. The figure together with the basis of these calculations are laid out in a table in Appendix 1. They show that over a 20 year period, assuming no fluctuations in the demand and supply of labour and an ability of the existing flows onto the labour market to be counteracted by flows out of the market that the current level of unemployment would be eliminated. Long before the 20 years have elapsed however unemployment would have been reduced to levels not seen since the 1960s and 1970s.

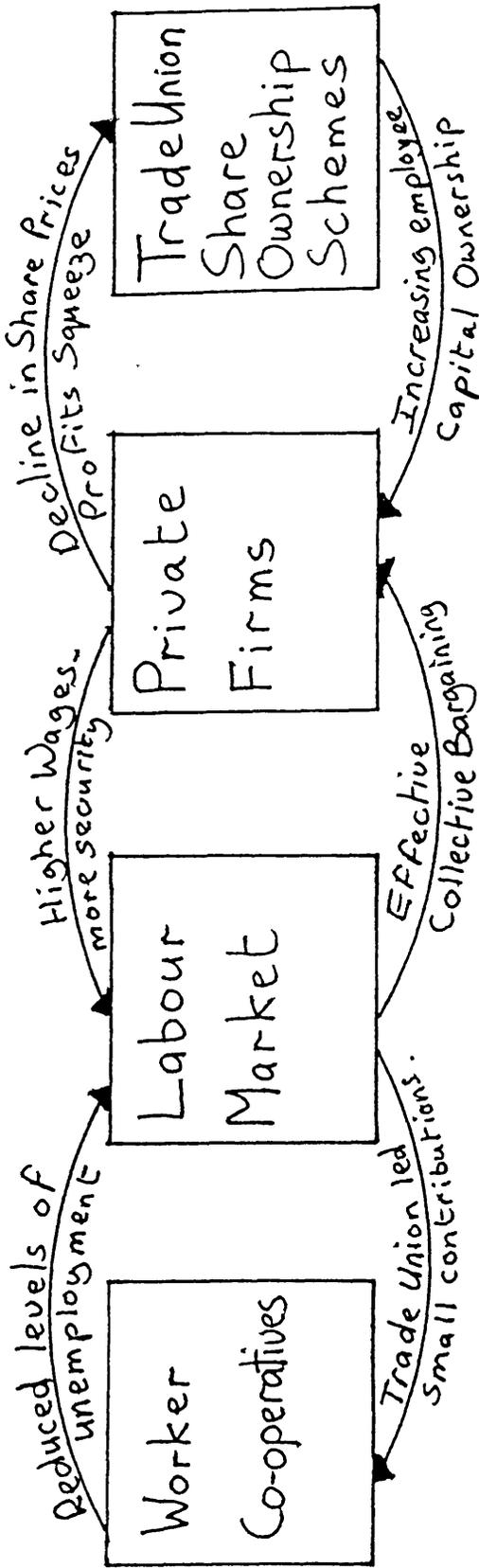
In the next section we shall examine the wider macro-economic implications of this process and consider what potentiality exists for an effective counter strategy by capital to negate these efforts should they come to fruition.

11.6 The macro-economic implications of the growth of collectively owned capital

In Figure 3 we illustrate the process that we believe lies at the heart of our proposed strategy. Central is the concept of Labour - the major factor in the process of production - re-establishing its importance by squeezing its supply sufficiently for collective bargaining to push up wages. Worker co-operative development helps maintain aggregate wage levels which itself will put pressure on profits.

On this occasion however the increase in wages or at least a significant proportion of it would be invested in share capital rather than spent on items of immediate consumption,

Figure 3: The Redemption of Labour.
Co-operative Development and Collective
Bargaining — a dual strategy approach.



thus reducing the inflationary pressures implied by the scheme and lessening the likely pressure for increased flows of imports.

Unions could bargain for ESOP type schemes as is their present strategy, or else organise a separate investment trust for members in a given company and buy shares on the open market financed out of a proportion of members' wage increases. Individual members could cash in their shares at going market rates when they left the firm - back to the trust or back on the open market - plus receiving dividends during the time they hold the shares.

An additional source of downward pressure on profits however would be the existence of the worker co-operatives themselves at industrial sector level. Porter (1980) writes;

"There are four major forces working to push collective industry profits towards the competitive floor ... (and one of these is)

... Entry of new competitors and exit of existing ones: entry of new firms reduces sales of existing firms, forces down prices, or inflates quality, all reducing profits ..."⁵³

A persistent downward trend in profitability will affect share prices enabling the trade union share purchasing schemes the opportunity to purchase greater quantities than would be the case in periods of high profitability. (It should be noted that share purchase is not to gain access to profits as with the current ESOP strategy.) High wages due to a tight labour supply

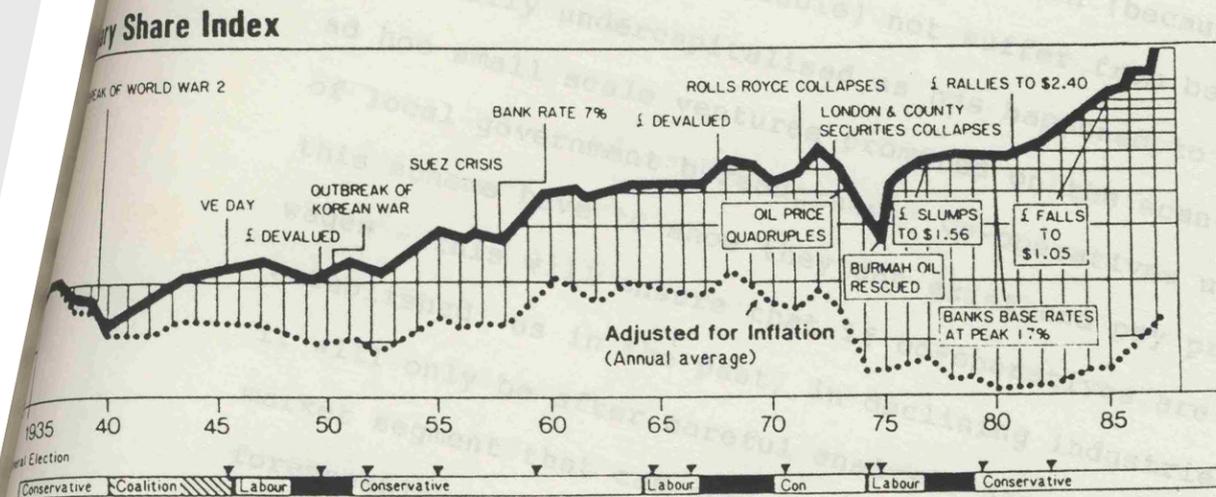
53. Porter, M.E., Note on the Structural Analysis of Industries, Harvard Business School, USA, Unpublished, 1980, pp3-5

Trade union bargaining assist that objective in this strategy. Share purchase becomes a means for eventual ownership and control, not a means of extracting dividends.

Figure 4 indicates the real value of shares is still well below pre-war price levels despite their overall very high rates of growth in recent years.

Taken from p118 Investors Chronicle, 12 June 1987

Figure 4



On the other hand the real increase in wages over this same period relative to share prices, reinforced by the pressures our scheme could exert, would be enough to ensure a shift in the relative values of labour and capital and enable a gradual collective growth in share ownership.

By adopting this strategy of controlling the labour supply and ensuring the maintenance of interfirm competition organised labour can achieve the objectives of its early founders. At the same time it must avoid

the mistakes of the past. Firstly it must not attempt to engage in grandiose schemes from scratch for which it has inadequate resources to finance and inadequate managerial expertise to run. Secondly it must ensure the necessary scale of capital investment to succeed by applying its extensive organisational resources for the right financial and commercial back-up to ensure the new worker co-operatives have a real chance of success.

These trade union led initiatives would (because of the size of funds available) not suffer from being chronically undercapitalised as has happened to the ad hoc small scale ventures promoted on the scant support of local government bureaucracy. Co-operatives under this scheme have to show they can exist and pay proper wages - this will ensure that if co-operatives are established, as in the past, in declining industries, it will only be after careful analysis has identified a market segment that can support that business into the foreseeable future.

The additional capital would enable the average size of worker co-operative start-up to increase and would enable a faster rate of growth for some of the existing co-operatives who, as in the case of the wholefood sector, find themselves in a rapidly growing trade or industry. The scheme's investment policy would require business plans to have a review of the existing technological options and an analysis to determine the feasibility of investment and application for the proposed business of the available technology. At present the wholefood

co-operatives operate with slow, labour intensive packaging, bottling and labelling equipment. Many have poor or no chill/refridgeration capacity. Few printing co-operatives have sufficient capital to purchase the very latest printing technology. Leicester Printers one of the oldest worker co-operatives in the country, has just converted (in 1988) to a private share based company in order to attract sufficient capital to invest in improved equipment.

The scheme proposed by us would not generate sufficient capital to match the very large-scale investments required in the core economy. In this sector worker share ownership through increased leverage in the labour market would gradually come to exert greater influence on management strategies and the generation of core economy firms business policy. Our scheme could ensure that worker co-operatives had the finance to take advantage of the latest existing technologies relevant for the competitive operation of small businesses.

This scheme helps everyone - those trying to establish work for themselves in co-operative businesses; those fighting for decent pay and security in the more marginal sectors of the economy; and organised labour facing the economic power of the core firms. In the latter's case the scheme - by supporting the Employee Share Ownership initiatives and giving them the prospect of developing beyond the roughly 25% holdings that are the average worker sharestakes so far recorded - greatly expands

the core worker's security and income.⁵⁴ Within a 20 year period some three million workers could be engaged in co-operative production - approximately 10% of the total labour market.

Once exposed to the co-operative work experience most workers prefer it and even higher wages will not always entice them away.

"I was unemployed for over two years before I got this job here. That period made me think a lot about work. Recently I was offered my old job back ... its nearer home and the pay was 50% more. I turned it down ... Somehow it would never be the same again working for someone else. Here we are all our own bosses."⁵⁵

The impact on the rest of the labour force would certainly be felt. The pressure for greater job enrichment, greater social responsibility in commercial practices, and greater industrial democracy would result. ESOPs in the context of a national movement for industrial democracy would become a mechanism to enable workers to buy into and build on the existing strengths of capitalist industrial structure. Bray recognised the importance of the economies of scale built up through the concentration of capital and the division of labour. For it must be more efficient to gradually purchase existing capital intensive and technologically based industries than to try to set them up from scratch and in competition to established firms.

54. Russell, Raymond, "Accounting for ESOPs. Early Returns from the GAO" in Workplace Democracy, No. 56, Spring 1987, Association for the Democratic Workplace, Amerst, USA, p11

55. Pike, Allen, "Bosses on the Shop Floor", in Financial Times Survey, Monday 13 April 1987, London p33

11.6(i) Problems and objections to the viability of the strategy proposed.

The first objection based on the historical evidence of past co-operative initiatives might well be that this project would degenerate and bureaucratise long before it had succeeded with its objectives. We argue that this is less likely now because economic power is being spread through loan stock issues to large numbers of firms all democratically controlled with the majority being probably quite small scale, i.e. less than 25 people. Also the stiff competition and market pressures would maintain their own discipline.

In this case, however, the free market is one in which capital is more evenly distributed and where associations of workers in trade union and co-operative run organisations have a market leverage over the supply of labour that effectively counters the enormous power of the privately owned corporation. Temporary unemployment due to shifts in technology, raw materials, product/service requirements and plain bad management would still occur. Nor might it be possible to eliminate rather longer periods of unemployment due to trade cycles or seasonal variations but the evil of long term unemployment and the dependence of Labour upon Capital would have been eliminated.

It may well be argued that the whole process will lead to stagflation - i.e. low productivity growth and inflation; because the unions could prevent increased productivity whilst forcing up wages.

However, stagflation involves high levels of unemployment as well as the continuation of rising money prices and low productivity (Meade 82). In the case proposed here there would be near to full employment with a significant proportion of larger as well as small businesses managed on behalf of their employees or directly by them. It has been argued that this could also lead to rising money prices, as trade union pressures to push up wages could be replaced or maybe compounded by a,

"... 'guild' of all the co-operative workers in a particular trade which imposed a set of minimum prices at which the products of members of the guild should be sold." ⁵⁶

In the short to medium term it is unlikely that any trade sector would be solely or predominantly co-operative or labour controlled but in any event such price fixing would be clearly illegal under existing legislation. The relationship between employment and wage levels (Phillips 58) and between employment and price levels (Friedman 76) has been propounded to the effect that full employment will lead to accelerating wage and price inflation. Friedman believes that there must be a (lower) "natural" level of unemployment at which rates of inflation will be fully anticipated. ⁵⁷

The Phillips Curve data and the conclusions that have been drawn from it have been extensively critiqued (see Knowles and Winster 1959, and Routh 1959 and 1986).

56. Meade, James E., Wage-Fixing, George Allen and Unwin, London, 1982, p120

57. Routh, Guy, Unemployment: Economic Perspectives, Macmillan, London, 1986, p82

Nevertheless it is still a strongly held view that the fact that the rates of wage increase have not responded (negatively) to high levels of unemployment is due to the monopolistic power of trade unions. As our proposals aim to greatly enhance trade union market leverage it is reasonable to expect that this effect might be intensified. However, the evidence for this proposition has been questioned both theoretically and empirically by a number of sources (see Jackson, Turner and Wilkinson 72, and Routh 86). Paying deliberately higher wages than they need to attract and retain labour is a clearly stated policy for some non-union firm managements (for example Mars and Marks and Spencer). If, as we suggest, our proposals lead to greater interfirm competition, higher wages would be less easily passed on in price increases in any event but could lead to a falling off in investment or a substitution of capital for labour. The empirical data available furthermore, suggests that workers in co-operatives tend to underpay rather than overpay themselves or else choose to follow the established pattern of wage rates.⁵⁸ In our proposals however, labour does not just gain greater market leverage - it has a radically transformed role as owners of the business. It remains to be seen what the impact of this will be on labour's economic behaviour. The evidence from the largest group of worker co-operatives in Europe - The Mondragon Group in Spain - gives grounds for at least a cautious optimism (see Thomas and Logan 82).

58. For example see Wilson (82) op cit in Ch.10.

"The aim of the Mondragon group to achieve an average level of earnings that is identical for all co-operatives ... implies that inter-industry earnings differentials are not envisaged."⁵⁹

The average itself is linked to the going-rate established through collective bargaining within Spain's metal and engineering industries. However this attempt to pay average wages based on a relatively high wage group to all workers in the Co-operatives has not led to low levels of investment or lack of competitive edge.

"... in Mondragon ... capital intensity ... (is) even higher than that of average enterprises in the mechanical and engineering industries."⁶⁰

Following Hodgskin, Mondragon uses technology and product innovation to overcome the business failures and prevent unemployment within its worker-members.

"The organisation has within the Managerial Division of the Group an Industrial Promotion Dept. to help to create jobs in these crisis situations, they seek out new products, new markets and help to start new co-operatives both in the Industrial and Agricultural fields."⁶¹

Such activity is assisted by the Ikerlan.

"a technological research centre working in four areas: electronics, mechanics, technical computer science, and production systems."⁶²

59. Thomas, H. and Logan, C., op cit, p131

60. ibid p126

61. Irigoien, Josu, The practice and experience of the Mondragon Basque Co-operatives, Scott Bader Ltd, Wollaston, Northamptonshire, Commonwealth Monograph No. 11, 1984, p19

62. ibid p7

High wages that are paid for through high productivity will not be inflationary. We recognise that this brief discussion in no way disposes of all the inflationary possibilities but argue that inflation has many causes apart from wage levels. There is not an a priori reason why any inflation that was to occur during the operation of our proposals could not be suitably rectified if this proved necessary.

Another objection to our proposals may be presented. If the unions achieve their objectives of lower corporate profitability then they risk unemployment rising at a rate that they will not be able to absorb through workers' small scale donations. In addition it would be foolish not to expect a response from the capitalist class to this challenge. As we noted in Chapter 4, with ASE, the employers may be very sensitive to any threat of the accumulation of worker controlled Capital. One approach might well be to increase the rate of technological substitution of capital for labour to overwhelm the job creation programme of co-operative development. To some extent this would be an inevitable response.

We expect the initial assault on our proposals to be in the realm of ideas and legal institutional impediments.⁶³ If the latter fails to prevent the

63. Routh, Guy, op cit, p117. Referring to the Swedish Meidner Plan Routh notes that an unprecedented amount of money was spent attacking the plan for an employee controlled investment fund.

strategy, then clearly economic pressures would have to be considered such as those proposed above. We believe however, that a strategy of further rapid increases in unemployment in response to worker co-operatives would fail if the labour movement responds collectively and with vigour. Raising unemployment at a fast rate could lead to adverse political repercussions for capital in a democracy. It's one thing to blame strikers for unemployment but it will be harder to target self-employment initiatives. Also, as we have indicated earlier, increasing unemployment may actually stimulate co-operative economic activity still further. It might encourage more workers to contribute to the scheme if the threat of the dole queue appeared to be mounting.

Our example in Appendix 1 took a very low level amount (£1) of contributions and numbers involved and a very simple scheme aimed at job creation rather than capital growth. But George (1981) has already shown that it would be possible to design a more complex savings scheme that could overhaul the privately accumulated stock of capital.

"The ultimate development of the fund depends critically on its early life. If during the initial period it comes to own a share of the total capital stock in excess of this threshold it will eventually own the whole capital stock ..."⁶⁴

64. George, Donald, A.R., op cit p17

In the teeth of a clearly perceived strategy of shedding labour by corporate capital wider segments of the working class could join the struggle and develop more sophisticated schemes to ensure control is wrested from capital.

The rapid introduction of new technology will face technical and economic obstacles. Its organisation without trade union collaboration may not always prove feasible. Nor in every case is appropriate technology available. In economic terms it would represent a massive capital investment just when market share and market price may not be able to ensure a realistic return, at least in the short to medium term. It would in any case have to occur within the secondary economy itself to have a real effect on the major number of worker co-operatives. As such it would require the large centre firms in the core economy to integrate back into the secondary economy in order to effect the widespread technical innovation to see the co-operative competition off. In doing so they would be threatening the extence of large numbers of private sector small firms as well as the co-operatives - again a highly dangerous political climate could emerge from such a strategy.

A more subtle attack could be for corporate capital to

unleash a price war, relying on its greater reserves to see off the worker co-operative challenge. But a price war would be a very double edged sword indeed. This is just as likely to affect the very large number of privately owned small firms every bit as hard as the co-operatives. In fact it may prove to be the case that amongst small firms as a whole worker co-operatives prove to be more resilient to squeezed margins. Price competition would also reduce the overall value of capital and hence play into the unions' share purchase strategy.

By focusing on the most critical point for the functioning of capitalism - the control of the labour supply - in such a way that prevents the State from taking effective counter measures, the strategy has the potential to re-establish job security and influence for labour in the market place. We would argue that the real strength of our strategy lies precisely in the fact that it does not attempt to do too much. It operates on the basis of the existing legal and economic framework and its success does not require any changes in either.

The worker co-operatives' potential to improve the labour market context for labour was recognised as one of their important benefits by Alfred Marshall. Derek Jones (1976) referring to Marshall's paper of 1885 The Remuneration of Capital and Labour (London, Cassell), wrote;

"Marshall also believed that if more PCs were established this would help to provide far more continuity of employment than presently prevailed under capitalism." 65

We have gone beyond this to argue that our scheme has the potential for much more if operated in conjunction with other policies relating to the funding from wages of collectively run share purchase schemes.

We do not claim that this will be accomplished overnight. Nor do we believe it will immediately herald the New Jerusalem. Wage differentials would still be wide, some unemployment and low pay would still occur. But the gradual accumulation of collectively owned capital would have commenced and, in the context of full employment, with it the basis for the establishment of labours priority over capital - for a more equitable distribution of economic power - would have been laid.

11.7 Conclusion: Solidarity as the route to the redemption of labour

The conclusion to our question - 'under what conditions can worker co-operatives become agents for profound social change?' - can now be stated. Worker co-operatives are agents for profound social change when their development and financing is generated by an external association of workers which represents labour

65. Jones, Derek, C 'British Economic Thought on Associations of Labourers 1848-1974' in Annals of Public and Co-operative Economy, Vol 47 No.1 Jan-March 1976, p14

as a class in its dealings within the capitalist labour market. Only when worker co-operatives perceive that the focus of the struggle for the redemption of labour is within the capitalist labour market will the significance of a close relationship with trade unions be apparent. Only when trade unionists recognise the importance of their control over the labour supply for the outcome of their struggle with capital in the labour market will the significance of a close relationship with worker co-operative development be apparent.

The available data on current experience of co-operative job creation costs; on levels of discretionary income; trade union organisation; levels of employment and unemployment etc are all favourable for the commencement of our proposals. All point to the probability that given the flows of funds envisaged in Appendix 1 the target of 3 million employed in a worker co-operative sector and the transformation of labour market conditions that this would ensure would be achieved by the levy of a tiny self-imposed tax of £1.00 per head, or less depending on the number of participants.

The bigger question, however, remains to be answered - that question being will the target ever be reached? Can enough people be persuaded for long enough periods of time to consistently give away even a tiny sum of money? Can people be made to see that by giving away a

little they will get returned to them, to their children and future generations of working people. The means to permanently ensure their future security, livelihood and well-being? This is not some static Utopia or some monolithic corporate state that we are referring to. On the contrary it is the vision of a pluralistic community of divergent cultures and life styles, but a pluralism based on the underlying principles of Association, Equity and Universality.⁶⁶ It is the operation of these principles which will ensure enough funds are always available (together with the necessary advice and expertise) to enable people to help themselves back into employment when alternative routes seem either closed or less attractive.

It is a free, voluntary and democratic community. The state bureaucracy that Hodgskin feared and Marx hoped would wither away would not need to be instituted in the first place. Just free, democratically managed Associations of Labour organising a membership that recognised their individual responsibility to their association and to the wider community of labour. Market forces, no longer able to deal havoc to people's ability to work and to produce wealth, would still enable the free allocation of resources to meet people's needs for goods and services without massive planning authorities, price controls or regulations. Capital would be democratized and in the hands of

66. Worley, J J, op cit p12-23

labour. But individuals seeking to employ themselves and able to generate enough business to employ others would still be able to do so. Nor would private stockholding have ceased to exist. The return, however, would be nearer to a limited interest than to the profits currently enjoyed and the role of management would have been transformed from the servant of capital to the exercise of intellectual labour in one's own job and on behalf of one's fellow workers.

What is required to make this happen however, is effectively a change of heart. No economic laws stand in our path just people - inert, apathetic, sceptical, selfish - possibly; but also kind, concerned, loving and charitable. Above all we agree with the statement that;

"The economic system is alive; moreover it is essentially a matter of ethics."⁶⁷

The ethical matter that lies at the heart of economic practice however is not primarily to be found in the question of the determination of a given product or service at a given price. The primary ethical question for economics is the enabling of people to have independent access to the means to produce their own wealth in their own way subject only to the overriding requirement of service to the community. This latter point is not so much a restriction as a tautological

67. Wilken, Folkert, The Liberation of Capital, Blackwell, Oxford, 1985, pp xxii to xxiii.

statement. For by wealth we mean use value. Without use value no product can be exchanged with any other, hence the concept of wealth cannot be said to exist outside of a reference to the community and the needs of the community.

Solidarity becomes the route to the redemption of labour because by redemption we mean precisely this enabling of workers to work. Redemption is the gaining of access to the means of production and distribution. Solidarity is the recognition that we are part of the community of labour. We are part of the universal labour market. Other people's unemployment, lack of job security or low pay hurts us all. Solidarity requires we do something about injustice and inequality in the labour market as individuals working in association with our fellow workers. For the employed and unemployed workforce economic ethics and self-interest are not in conflict.

APPENDIX 1 - Small Savings Invested in
Employment Creation Based on Labour Market
Not Capital Market Imperatives
(Figures assume constant prices)

	Line	Year 1	Year 2	Year 3	Year 4	Year 5
Contributors	1	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Loan Fund	2	384,000,000	461,414,400	516,038,000	554,580,413	581,775,93
Accumulated Loan Stock	3	241,920,000	412,618,752	533,063,792	618,049,812	678,015,94
Interest Payments	4	Nil	29,030,400	49,514,250	63,967,655	74,165,97
Repayments	5	Nil	48,384,000	82,523,750	106,612,758	123,609,96
Co-operative Jobs	6	96,000	115,354	129,009	138,645	145,44
Unemployment	7	2,904,000	2,788,646	2,659,637	2,520,992	2,375,54

	Line	Year 6	Year 7	Year 8	Year 9	Year 10
Contributors	1	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Loan Fund	2	600,965,102	614,504,976	624,058,711	630,799,827	635,556,357
Accumulated Loan Stock	3	720,328,053	750,183,474	771,249,459	786,113,619	796,601,765
Interest Payments	4	81,361,913	86,439,366	90,022,017	92,549,935	94,333,634
Repayments	5	135,603,189	144,065,610	150,036,694	154,249,891	157,222,723
Co-operative Jobs	6	150,241	153,626	156,015	157,699	158,889
Unemployment	7	2,225,307	2,071,681	1,915,666	1,757,967	1,599,078

	Line	Year 11	Year 12	Year 13	Year 14	Year 15
Contributors	1	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Loan Fund	2	638,912,566	641,280,707	642,951,667	644,130,696	644,962,619
Accumulated Loan Stock	3	804,002,208	809,223,959	812,908,426	815,508,185	817,342,575
Interest Payments	4	95,592,212	96,480,265	97,106,875	97,549,011	97,860,982
Repayments	5	159,320,354	160,800,441	161,844,791	162,581,685	163,101,637
Co-operative Jobs	6	159,728	160,320	160,738	161,033	161,241
Unemployment	7	1,439,350	1,279,030	1,118,292	957,259	796,081

	Line	Year 16	Year 17	Year 18	Year 19	Year 20
Contributors	1	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Loan Fund	2	645,549,624	645,963,814	646,256,067	646,443,081	646,594,238
Accumulated Loan Stock	3	818,636,921	819,550,211	820,134,629	820,606,994	820,940,295
Interest Payments	4	98,081,109	98,236,430	98,346,025	98,416,155	98,472,839
Repayments	5	163,468,515	163,727,384	163,910,042	164,026,926	164,121,399
Co-operative Jobs	6	161,387	161,491	161,564	161,610	161,648
Unemployment	7	634,631	473,140	311,576	149,966	-11,682

APPENDIX 1 (Cont)Formula for Calculation in each separate year

Line 1	8,000,000 constant in years 1 - 20
Line 2	8,000,000 x 48 + line 4 + line 5 for same year
Line 3	Previous years line 3 - line 5 in the current year + line 2 = Total - (Total x $\frac{37}{100}$)
Line 4	12% of previous line 3
Line 5	20% of previous line 3
Line 6	Line 2 \div 4,000
Line 7	Previous years line 7 - current years line 6

Explanation

Line 1	Represents the schemes assumed membership. The figure represents approximately 80% of current trade union membership in the United Kingdom. (See Chapter 12 section 12.5 for further explanation).
Line 2	Represents the schemes annual income derived from donations from members; repayments of previous loans and interest charges at 12%. The loan repayment assumes a 5 year pay-back.
Line 3	Represents the cumulative loan capital upon which lines 4 and 5 for the following year are based. The figure adds the previous years figure in line 3 to the current years loan figure in line 2. From this figure is deducted first the line 5 20% repayment figure (to avoid double counting as it is already in the line 2 figure) and then a further 37% is deducted from the remaining total. This figure represents the expected losses due to non payment and the management costs of the scheme (30% and 7% approx.)
Line 4	Represents the previous years receipts for interest on outstanding loans at 12% per year.
Line 5	Represents the previous years repayments of loan capital at 20% per year.
Line 6	Represents the estimated job creation level for each year calculated on an assumption that each 4,000 of loan capital in line 2 represents one job. No reduction has been estimated due to business failure (expected to be roughly 30% per year) because a) the people concerned are not likely to re-enter the traditional labour market immediately - they may continue trading for a time without paying; b) the figure of a 4,000 per job could be considered conservative next to the 2,400 figure of the Open University CRU estimates; c) no estimate of job generation from the co-operatives that are successful and growth has been estimated either. (See Chapter 12 section 12.5 for further discussion).
Line 7	Assumes unemployment to be at 3,000,000 at the beginning of the year 1 and that private sector flows in and out balance each other exactly during this period enabling a continuing reduction of unemployment over the 20 year period. (See Chapter 12 section 12.6 for further discussion of the point).

ICOF Ltd. QUESTIONNAIRE : FINANCING WORKER CO-OPERATION

1. Worker Co-operative Name:
2. Address:
3. Telephone Number
4. Trading Activity
5. Number Employed Full-time Part-time . .
6. Length of time trading Years
7. Turnover for last financial year £
8. If approached would your co-operative send a regular monthly/annual (delete) grant to ICOF Ltd for investment in new or growing co-operatives? YES/NO
9. If yes to Q8 please provide an approximate figure as to the amount of grant.
£
10. Would your co-operative be prepared to make a loan to ICOF Ltd at a rather lower market rate of interest for the purpose of investment in new or growing co-operatives? YES/NO
11. If yes to Q10 please provide an approximate figure as to the amount of loan £ and the period of months/years you would leave it on deposit _____ months/years.
12. How many individual members of your co-operative would be prepared to place some portion of their personal savings with ICOF at a slightly lower than market rate of interest? Number
13. How much per month in approximate figures could the total of personal saving with ICOF amount to £
14. Any additional comments or questions your co-operative would care to make would be greatly appreciated.

Please Note

At present as a result of the 1979 Banking Act ICOF Ltd cannot accept deposits or loans only grants from sympathetic institutions and individuals.

Thank you for your assistance. Please return this questionnaire to Peter Davis, Co-operative Management Unit, c/o School of Management, Leicester Polytechnic, PO Box 143, Leicester LE1 9BH in the prepaid envelope provided.

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