

THE ORIGINS OF NATIONALIZATION IN BRITAIN (II)

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IV *The Movement for Workers' Control and the Theory of G. D. H. Cole*

1 **The Background of the Times and the Position of Cole's Thought**

The period before the First World War, from the late 1880's till early 1890's, was the time of rapid trade union expansion. Thus, the formation of a larger, more highly organized and more political trade union world by 1900 laid the foundation for the subsequent advance of trade unionism. In this connection, membership of the trade unions, less than two millions in 1905, doubled to be just below four millions in 1913, the year of a peak of trade prosperity. The premium on organization during the war and the post-war boom which followed it, even doubled the 1913 figure by 1920.¹⁾ The increase in employment and incomes in 1906-13 was favourable to trade union growth.

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1) W. H. B. Court, *A Concise Economic History of Britain: From 1750 to Recent Times*, 1954, pp. 289-90.

The cost of living made a steep upward movement after 1911, but the wage-rate made only a relatively slow change, and this made many a man eager for union. Such trade union growth, the workers' ever-increasing voice and their eagerness for union now gradually turned their interest, which had hitherto been confined to freedom from poverty and the improvements in working conditions, such as wages, working hours, and so on, to the raise of their social status and the solution of the class antagonism between the capitalist and the worker. With these changes for a background, among the workers spread rapidly the Guild Socialists' movement for Workers' Control with George Douglas Howard Cole as leader.

Guild Socialism was a violent reaction against Collectivist State Socialism of the Fabian Society with S. Webb as leader, already seen in the last chapter. At the same time, it is the British revision of Syndicalism which is known as the idea of Workers' Control in the Continent. The State Socialists claimed the direct ownership and control of industry by the State as the representative of consumers, while Syndicalists, the direct ownership and control of industry by the trade union as the representative of workers. According to Cole, the former claims the absolute sovereignty of the consumers, leaving out the producers, while the latter, the sovereignty, no less absolute, of the producers, leaving out the consumers. He emphasizes how completely Syndicalism, though not realized generally, is an inversion of State Socialism.¹⁾ The Guild Socialists maintain that neither State Socialism nor Syndicalism is by itself sufficient, and that the common ownership and control of industry by the State (in his later book, by the *Commune* which is made up of representatives of various functional bodies) as the representative of the consumers and industrial unions (Guilds) as the representative of the producers is essential in order to complement each other.

In Guild Socialism, there are National Guilds of S. G. Hobson and Cole on the one hand and Local Guilds of A. J. Penty and S. Taylor on the other hand. Cole says in the preface of his book of 1920 in a modest way, "There is, I am glad to say, no such thing as a strict Guild orthodoxy; and for the most part it can only claim to be an expression of personal opinion."²⁾ But it can be said, without objection, historically and theoretically that Guild Socialism today means that proposed by Cole and that a Guild orthodoxy is

1) G. D. H. Cole, *Self-Government in Industry*, 1917, 3rd ed., 1919, p. 133 (*Self-Government* for short in the following).

2) G. D. H. Cole, *Guild Socialism Re-stated*, 1920, p. 5 (*Re-stated* for short in the following).

the idea in that book. So we can best understand the idea of Guild Socialism according to the theory of Cole as its leader. And we can learn his early theory from his *Self-Government in Industry* of 1917 and the complete one from his *Guild Socialism Re-stated* of 1920. As he acknowledged himself in his later book,¹⁾ he has made a substantial recantation in his socialist theory later, but it is not a repudiation of the Guild Socialist view as a whole. At the bottom of his theory lies "humane release of the worker from capitalism," in other words, "the worker, as a worker, must be treated as a human being, and not as a mere factory hand." This fundamental idea remains quite the same in both books mentioned above. So let us review in the following what the Guild Socialists have to say about public ownership or public control of industry according to Cole's theory.

2 Cole's Theory of Guild Socialism

The idea or the theory of public ownership of Guild Socialism represented by Cole, could be better understood when compared with that of Fabian Socialism represented by the Webbs. So let us make clear the theory of Guild Socialism in contrast with that of Fabian Socialism.

(1) Criticism on Capitalism

As we have seen in the last chapter, the Webbs' Fabian Socialism saw the central evil of the capitalist system in the income inequality resulted from private property system and, on this ground, claimed public ownership of industry. But Cole's Guild Socialism criticizes Fabian Socialism, saying that it has mistaken the problem and that the Fabian's 'countermeasures against capitalism' lead only to new industrial bureaucracy.

The Guild Socialists' fundamental idea or view on capitalism is considered to be expressed most clearly in the Cole's following words. "It appears to the Guild Socialists, as to all real Socialists, obviously futile to expect true democracy to exist in any Society which recognizes vast inequalities of wealth, status and power among its members. Most obvious of all is it that, if, in the sphere of industry, one man is a master and the other a wage-slave, one enjoys riches and gives commands and the other has only an insecure subsistence and obeys orders, no amount of purely electoral machinery on a basis of 'one man one vote' will make the two really equal socially or politically."²⁾ "It

1) G. D. H. Cole, *The Next Ten Years in British Social and Economic Policy*, 1929, p. 161 (*The Next Ten Years* for short in the following).

2) Cole, *Re-stated*, p. 15. From this quotation we can explain as follows: the election and

is a natural and legitimate conclusion that, if we want democracy, that is, if we want every man's voice to count for as much as it is intrinsically worth, irrespective of any extraneous consideration, we must abolish class distinctions by doing away with the huge inequalities of wealth and economic power on which they really depend."¹⁾

As is clear in the above passage, Guild Socialism saw the central evil of the capitalist system in the wage system, or "wagery" — the ignorance of the workers' personality as a wage-slave, not in income inequality or economic inefficiency, as Fabian Socialism did. So the central problem for the Guild Socialists is the equalization of not only wealth but of power. The fundamental evil of capitalism is the exploitation of labourers based on the wage system, in other words, "Wage-Slavery."²⁾ (Cole says that capitalism can be properly called "Wage-Slavery.") Cole expects that this evil could be eliminated only by Workers' Control in industry with industrial Guilds. In a nutshell, the moral claim for the humane emancipation of the worker lies at the bottom of the Guild idea. "Self-government in industry" or "Workers' Control" is claimed on the ground of "the release of the worker from the Wage-Slave."

(2) View on the State

The Fabians claimed the decentralization of powers into municipals to prevent them from being centralized upon the State. On the other hand, the Guild Socialists insisted, from the standpoint of pluralism, that the State should be reduced to the same level as other partial societies. So, to prevent State powers from increasing, they proposed to dissolve the State into the Commune, a communal body which is composed of producers' and consumers' bodies.

(3) Social Reform

As mentioned above, Fabian Socialism urges the decentralization of State powers, and yet it supported the powerful planning by the State or municipals

the vote in parliamentary democracy are not enough to realize and promote industrial democracy and there should be another, far more important, factor. This was "Measurement and Publicity" in the Webbs, but in Cole "Workers' Control." Cole attaches much importance to the relation between master and servant in industry, but the Webbs saw that it would become trifle as "Measurement and Publicity" became complete. This difference is very interesting because it shows the fundamental difference between them.

1) *Ibid.*, p. 16.

2) Cole, *Re-stated*, p. 17.

to improve efficiency in production. Viewed in this light, it is nothing but a reform to be initiated from above, bureaucracy or specialists, aiming at only a gradual reform by means of legislation through parliamentary democracy. On the other hand, Guild Socialism claims Workers' Control for the equalization of power and it is a reform to be initiated below, the working classes. It attempts to overthrow capitalism by such revolutionary "Direct Action" as strikes of trade unions, thinking it impossible for Parliament or the State to perform such transformation for the following reasons :

- (i) there is no chance under capitalism of the whole workig class voting together, or of a really "class-conscious" majority returning to power a really "class-conscious" Government ;
- (ii) this Government, if it could exist, would find the change impossible to achieve in less than a century by parliamentary methods ;
- (iii) the existing State organization is quite unsuited to the execution of any purpose involving fundamental structural changes in Society ; and
- (iv) the attempt to bring about the transformation by political means alone would almost inevitably, long before its completion, provoke a counter revolutionary movement by the governing classes, based on their power in the economic sphere. ¹⁾

According to Cole, economic power precedes political power under the capitalist system, and it is the object of the Guild Socialists to destroy this predominance of economic factors. ²⁾

To sum up, the Fabians are instinctive gradualists and permeators but believed, on the contrary, that reform could come through the existing capitalist media. On the other hand, the Guild Socialists are instinctive radicals and revolutionists, relying not on the gradual political action but on the revolutionoary industrial action. [But this does not mean the Russian radical revolution or catastrophic transition. It means the consolidation of all forces on the line of evolutionary (not constitutional) development with a view to making the "revolution" as little as possible a civic war and as much as possible a registration of accomplished facts and a culmination of tendencies already in operation.] They require revolutionary strike action by the trade unions, so the spearhead of advance is the trade unions, not the State.

(4) Ownership and Control of Industry

As already mentioned in the last chapter, the Fabians insist on the State

1) *Ibid.*, pp. 178—9.

2) *Ibid.*, p. 180.

ownership, municipal ownership and co-operative society ownership of industries and their unitary control by managerial specialists as intellectual representatives. On the other hand, the Guild Socialists maintain ownership and control of industries by the Guilds which are bodies of workers organized according to industries, and their management by workers' representatives as producers (not as consumers). In this connection, the following three points must be mentioned.

Firstly, Guild Socialism does not make much of the problem of ownership but gives the greatest importance to the problem of control. Cole says, "To Guildsmen, the whole question (the problem of nationalization—this note is by Tōyama) should appear secondary. Their first business is to forward the idea of working-class control of industry."¹⁾ Indeed, he advocates nationalization of public services which naturally tend towards monopoly, for example, the railways, the mines, the banks, the dockyards and the shipyards.²⁾ But nationalization is dangerous where trade unionism is weak, so he is in favour of nationalization on condition that Guild control goes along with national ownership. When nationalization seems likely, opposition is futile, and where there is not any likelihood of nationalization, it matters little to propose it. But he opposes national management positively, regarding it as industrial bureaucracy. National ownership, when carried to excess, does not bring any direct change in the relation between the employer and the worker and so he condemns national ownership itself as inappropriate.

There are these two ways in which the State can extend its power—over ownership and over management. Fabian Socialism attaches importance to the former and Guild Socialism, to the latter. It is not the business of the Guildsman either to advocate or to oppose nationalization. It is indeed of the first importance that he should seize the occasion of nationalization to push forward his own alternative to national management, that is Guild control. So Guild Socialism can be distinguished from Fabian Socialism not in industrial ownership but in industrial control or management, that is, in its viewpoint of the workers' status in industry. In the early time of full activity, the Webbs recognized the role of trade union in the protection of workers' interest, but denied the trade union any positive role in industrial management. But Cole attaches the greatest importance to its role in realizing Workers' Control in industry.

1) Cole, *Self-Government*, p. 174.

2) *Ibid*, pp. 157, 173—4.

Cole says, "It is a misfortune, as well as an indication of the tendencies of British Socialist thought, that we have of late years ceased to distinguish between nationalization and socialization, and even dropped the latter word altogether."¹⁾ In his later book, he says, "But what really matters is not ownership, but control of policy...²⁾...the question of socialization is primarily one, not of ownership, but of control."³⁾

Secondly, why did Cole find a model of modern democratic organization for industrial control in Guild which was an economic organization in the Middle Ages? He says, "A fundamental difference between mediaeval industry and industry today is that the former was imbued through and through with the spirit of free communal service, whereas this motive is almost wholly lacking in modern industrialism, and... In the Middle Ages, ...commercial morality and communal morality were the same. Today, commercial morality has made a code of its own, and most of its clauses are flat denials of the principles of communal morality. In the Middle Ages, the motives to which the industrial system made its appeal were motives of free communal service. today, they are motives of greed and fear."⁴⁾

According to him, the worker works well and under the impulse of the communal spirit when he feels that he is enjoying real self-government and freedom at his work. Cole did not intend to reconstruct Gild organization as it was in the Middle Ages, but to restore in Guild the spirit of free communal service in Gild, laying emphasis upon the Gild spirit. (He adopted the more correct "Gild" in speaking of the industrial organization of the Middle Ages, while retaining the more familiar "Guild" to denote the modern theory. The fundamental difference between Gild and Guild is that the former is local in essence and the latter, national. The essential factor of identity between them is not their organization but their spirit.)

Thirdly, Cole's industrial control is the one by the real producer and the whole stress is put on the worker as a producer, not on the worker as a consumer. Then, the question is how to harmonize the conflict of interest between producers and consumers. The Webbs intended to solve this problem on behalf of consumers, but Cole rather on behalf of producers. A number of industrial Guilds, local, regional and national, organizing and managing

1) *Ibid.*, p. 150.

2) Cole, *The Next Ten Years*, p. 142.

3) *Ibid.*, p. 143.

4) Cole, *Re-stated*, p. 44 and p. 45.

various industries and economic services are united in a Guild Council. On the other hand, the Co-operative Councils, local, regional and national, are the proper representatives of the consumers in relation to personal and domestic consumption, and the Collective Utilities Councils, local, regional and national, are also consumers' proper representatives in relation to collective consumption. The Guild Socialist System makes, then, the fullest provision for joint consultation and action between the Guilds and the consumers' organizations at every stage, local, regional and national. If the joint consultation and action could not adjust the producers' and the consumers' interest, the Commune, local, regional and national, takes charge of adjustment. The Commune consists of the representatives from the Industrial Guilds and of approximately equal number from the Co-operative and Collective Utilities Councils. The Commune deals with the following five groups of problems:—

- (i) financial problems, especially the allocation of national resources, provision of capital, and, to a certain extent, regulation of incomes and prices ;
- (ii) differences arising between functional bodies on questions of policy ;
- (iii) constitutional questions of demarcation between functional bodies ;
- (iv) questions not falling within the sphere of any functional authority, including general questions of external relations ;
- (v) coercive functions.¹⁾

Clearly, it would be, in the main, not an administrative but a co-ordinating body. Then, when there is a trouble in the decision of prices between producers and consumers, the Commune would hear the case and give its last judgement.

3 Problems in the Cole's Theory and Its Evaluation

The movement for Workers' Control of Guild Socialism had rapidly spread among the working classes by the First World War and reached its climax in 1920, but it declined suddenly afterwards. In 1920 after the Russian Revolution, the British Communist Party was established. Cole was against it, but the radicals belonging to the left wing of Guild Socialism supported

1) *Ibid.*, pp. 127—9 and pp. 139—40.

These five groups fall, in the main, under two larger groupings. The first three are all questions of co-ordination in the narrower sense, while the last two are questions, not themselves of a co-ordinating character, which necessarily fall to the body which exercises the task of co-ordination.

it, and the movement of Guild Socialism split into two. Moreover, the confusion after the First World War was put down and the Labour movement came to devote itself to passive resistance against wage reduction. Then, the Guild Socialism fever has cooled down. And the movement suffered the fatal blow when the British Labour movement itself decided, in the early 1930's, to support the Public Corporation without workers' control or direct participation in management.

The following three can be pointed out in relation to this decline of Guild Socialism. Firstly, the theory of "Wage-Slave", the ideological justification of Guild Socialism, became inadequate, if not to the period before 1914, to the modern situation with the development of trade unions since then. Secondly, the same thing can be said about the idea of Direct Action as the revolutionary and industrial tactics. Guild Socialism did not believe in political and parliamentary action¹⁾ as a method of reform, and took the tactics of Direct Action. And thirdly, the Guild system has some problems. Cole admitted in his later book, "Guild Socialism took the wrong turning when it ceased to be an *idea* and aimed at being a *system*."²⁾ The proposed system has the following problems.

(1) There are many obscure points in this Guild system. For example, there are serious questions about

- (i) the possibility to separate production from consumption,
- (ii) the method to lay down in detail any definite numerical basis of representatives from various bodies which the Commune consists of,
- (iii) the real difference between the Commune and the modern political State.

(2) The commune is surely a co-ordinating body and not a representative one. But if it is to perform such functions as Cole expected,³⁾ it will follow that a great power is concentrated there. This will be inconsistent with the Guild Socialism's original intention of the decentralization of powers. Adam Ulam evaluates Guild Socialism, saying, "Guild socialism is a product of the marriage of pluralism and socialism. It replaces the centralizing tendency of

1) On the contrary, this is valued by John Strachey. He points out the following two as the factor which has prevented the innate tendencies of the capitalist system from working themselves out in the ever-increasing misery of the wage earners : (i) political democracy, that is, representative institutions in election, and (ii) industrial democracy, that is, the trade unionism. See John Strachey, *Contemporary Capitalism*, 1956.

2) Cole, *The Next Ten Years*, p. 161.

3) See p. 8 of this article.

socialism by emphasizing upon the decentralization of economic activity."¹⁾ But next he offers criticism, saying that the Guild Socialists do not give a clear answer to the question which bothers them in the first place, how far the idea of decentralization of economic activity of independent producers' cooperatives is compatible with socialism. After he examined the five functions of the Commune, he shows a surprised look at the centralization of power, saying, "What more could the most thoroughgoing collectivist desire?"²⁾

(2) There are many functional problems also in the Guild system. For example, the workers' management ability, the workers' unselfish conduct, and the following dangers of infringing upon the consumers' interest by the workers in such an exclusive and monopolistic Guild— of regulating the price of commodities at will, of dictating to the consumer what he shall consume, and of deteriorating the product. Cole must be said too much idealistic and optimistic about these problems.

(3) There is also a hard point to settle in the Guild system. The system of "automatic Guild" based on the Gild in the Middle Ages had a purely static quality and took no account at all of the dynamic problems of economic growth, technical innovation and so forth. As the result, there is a wide gap between the idea and the economic reality. Thus, it has been outmoded. The particular forms of Workers' Control proposed is no longer practicable because of the mass production revolution, the trend towards large scale and technical complexity, the need for national economic planning and the increased public accountability of enterprises.

Thus, Cole was forced to reexamine and modify his theory of Guild Socialism. He tried to find a way out of the deadlock by "recanting" his Workers' Control. This is seen in his later books, *The Next Ten Years in British Social and Economic Policy* of 1929 and *The Essentials of Socialisation* of 1931.

But the movement of Guild Socialism gave much influence on the development of the thought of nationalization.

Firstly, among the intellectuals, the Guild Socialists' idea of Workers' Control could not strike down the Fabian Socialists' idea of public ownership, that is, national ownership, municipal ownership and co-operative society ownership of the means of production, and was absorbed in Fabian Socialism. But by being absorbed, Guild Socialism played an important role in

1) Adam B. Ulam, *Philosophical Foundations of English Socialism*, 1951, p. 87.

2) *Ibid.*, p. 90.

modifying Fabian Socialism from within. For example, the Webbs became forced to change seriously their way of thinking about the workers' management ability and their view of the trade union. (As already mentioned in the last chapter, the change in their view on the trade union is apparent between their *Industrial Democracy* of 1897 and their *A Constitution for the Socialist Commonwealth of Great Britain* of 1920. Participation of the trade union in the management of industries is denied in the former but is approved in the latter, which was published after their debate with Cole.)

Secondly, in spite of the failure of that movement, the trade unionists' impulse asking for some share in industrial control could not easily be wiped out and this idea has remained firmly until today among the workers. A strong demand for workers' participation, though not workers' control, in the management of industries has been repeated in the Labour Party conferences, especially from its left wing. As Cole admitted in his self-criticism, Guild Socialism has many problems, especially many defects in the Guild system. But it gave the greatest emphasis to the need for raising the workers' social status and called people's attention to the importance of industrial democracy. This must be valued highly because the incompleteness of industrial democracy has a very serious problem to solve in the nationalized industries today.

Thirdly and lastly, besides the above second point, Cole (especially in *The Next Ten Years in British Social and Economic Policy* of 1929) foresees many problems brought forward today in the nationalized industries after the Second World War (though this can, of course, be said the natural result of criticism on the Webbs' theory of nationalization). In reality, recent measures for improvement in management of the nationalized industries are taking the course what had already been suggested by Cole before the Second World War—for example, an experiment in employee representation on various boards within the British Steel Corporation, more interest in control than in ownership in recent years than before in the Labours' policy for nationalization, and so forth. His accurate understanding of problems of public ownership must be highly valued. It is no exaggeration to say that Cole's critical role from the left wing of the Labour Party can favourably be compared with the Webbs' leading role among the leading members of the Labour Party.

4 Basic Literature

As basic literature on the movement for Workers' Control of Guild Socialism and the Cole's theory, the following can be listed :

G. D. H. Cole. *Self-Government in Industry*. London : G. Bell and Sons, 1917.

S. G. Hobson. *National Guilds : An Inquiry into the Wage System and the Way out*. London : G. Bell and Sons, 1919.

G. D. H. Cole. *Social Theory*. London : Methuen, 1920.

———. *Guild Socialism Re-stated*. London : Leonard Parsons, 1920. *Guild Socialism : A Plan for Economic Democracy*. New York : Frederick A. Stokes, 1921, as its American edition.

———. *The Next Ten Years in British Social and Economic Policy*. London : Macmillan, 1929.

———. *The Essentials of Socialisation*. London : Fabian Research Series No. 1, 1931.

———. *Is This Socialism ?* London : New Statesman and Nation, 1954.

———. *The Case for Industrial Partnership*. London : Macmillan, 1957.