

THE ORIGINS OF NATIONALIZATION IN BRITAIN (IV)

YOSHIHIRO TōYAMA*

Contents

Part I

- I Introduction (No. 6 of this magazine)
 - 1 The Subject of This Study
 - 2 Approaching Method to the Subject
- II The Consumers' Co-operative Movement and Its Theory
 - 1 The Origin and the Significance of the Consumers' Co-operative Movement
 - 2 The Principles and Development of the Consumers' Co-operation
 - 3 The Limitations of the Consumers' Co-operation
 - 4 Basic Literature
- III The Birth and Growth of the Labour Party, and the Theory of S. and B. Webb
 - 1 The Birth of the Labour Party and the Early Theory of Public Ownership
 - 2 The Labour Party's Programme
 - 3 The Webbs' Theory of Nationalization
 - 4 Problems in the Webbs' Theory and Its Evaluation
 - 5 Basic Literature
- IV The Movement for Workers' Control and the Theory of G. D. H. Cole (No. 7)
 - 1 The Background of the Times and the Position of Cole's Thought
 - 2 Cole's Theory of Guild Socialism
 - 3 Problems in the Cole's Theory and Its Evaluation
 - 4 Basic Literature

Part II

- V The Rise of the Public Corporation and the Theory of H. Morrison (No. 8)
 - 1 The Historical Position of Morrison
 - 2 The Movement for the Post Office Reform
 - 3 Some Views Aiming at the Public Corporation Form
 - 4 Morrison's Theory of Socialization
 - 5 Evaluation of the Morrisonian Theory — Its Merits and Demerits
 - 6 Basic Literature
- VI The Need for Economic Planning and the Theory of J. M. Keynes (This issue)
 - 1 The Background of the Times of the Planning Thought
 - 2 Keynes' Theory of Planning
 - 3 Application of Keynes' Theory to Nationalization
 - 4 Evaluation of Keynes' Theory and Problems in Its Application to Nationalization
 - 5 Basic Literature
- VII The Practice of Nationalization by Non-socialists and Their Theory of Monopoly
 - 1 The Practice of Nationalization by Non-socialists
 - 2 Non-socialists' Theory of Monopoly

* Professor of Economic Policy, Otemon Gakuin University.

3 Basic Literature

VIII Conclusion

VI *The Need for Economic Planning and the Theory of J. M. Keynes*

1 The Background of the Times of the Planning Thought

The thought of economic planning by the central authority is comparatively new. It attracted scarcely any attention before the First World War and was not taken up particularly by the Fabians or the Marxists. But since about 1930 onwards it has come to be discussed very much among the party men or economists as one of the biggest questions.

We can recognize this change clearly in, for example, the changing thought of George Bernard Shaw, as expressed in his preface and essay in *Fabian Essays in Socialism*. The book was first published in 1889 and its new editions were published in 1908, 1929, and 1931, with a new preface to each edition written alternately by Sidney Webb and Bernard Shaw. Shaw's original essay, "The Economic Basis of Socialism" in the first edition, and his preface to the 1908 edition are exclusively concerned with the explanation and criticism of unearned surplus value¹⁾ and make no mention of planning. On the other hand, his preface to the 1931 edition is wholly concerned with unemployment and the need for socialist planning to cure it.²⁾

This thought on economic planning gained power among not only socialists but also non-socialists. The academic discussion about economic planning in Great Britain can be said to have been more active among the latter rather than among the former; that is, the latter made a great contribution to making the theory of economic planning and the former used it in advocating the practical policy. This must be noticed because the case is quite different from the above-mentioned origins of nationalization. Let us review in the following the background of the times of a rise of the planning thought, the theory of economic planning and its application to the advocacy of nationalization by the Labour

1) Shaw's surplus value is different from that of Marxian theory and rather denies the labour theory of value which laid the foundation for Marxian theory. Shaw's surplus value started from Jevon's marginal utility theory and developed by absorbing Ricardo's rent theory and Henry George's theory of land nationalization.

2) If it explained in detail, he refers, in addition to these, to an end of the Parliamentary Party system.

Party.

We can find two elements in the background of attaching importance to economic planning. The first is the serious depression after the First World War and the consequent remarkable increase in unemployment. In the nineteenth century capitalism did exhibit a certain extremely rough, and yet ready, power of self-adjustment. There were periodic slumps and crises and mass unemployment, but they did not last very long. The system exhibited an inherent tendency to right itself, as well as an inherent tendency to plunge into a slump. J. B. Say, a French economist in the early nineteenth century, reduced this self-regulating operation of capitalism into a clear-cut "law". Say's law is, briefly, that, so long as the system is not interfered with, it will always be perfectly self-adjusting and self-regulating, because, in particular, every act of production always generates the effective demand necessary to purchase its product. From these the following two important conclusions are drawn: firstly, there can never be general overproductions, and secondly, there can never be slumps, crises or mass unemployment.¹⁾

As the serious depression and mass unemployment after the First World War have shown, however, capitalism has no longer been self-regulating. The level of investment dictated by profit-maximizing considerations was both on the average too low to ensure full employment, and also too fluctuating to avoid cyclical instability. So to control or to plan investment was needed as an important task for economic policy to maintain the effective demand at full employment.

The second factor is the apparent success of a series of the Soviet Five-Year Plans started in 1928. The need for economic planning in Great Britain mentioned above was greatly encouraged by the success of economic planning in the Soviet Union. Thus, economic planning came to the fore as an important national policy in Britain.

Now, let us examine Keynes' theory of planning which has made the greatest contribution in theory to the need for economic planning.

2 Keynes' Theory of Planning

(1) Criticism of Laissez-fair Capitalism

It was laissez-fair capitalism that Keynes had criticized. By taking

1) Both Marx and Keynes criticized this but their viewpoints were quite different from each other. For this comparison, refer to John Strachey's *Contemporary Capitalism*, 1956.

various policies of social control, he expected, the loss of unemployment could be removed and the unfairness in inequality of wealth and income could be diminished keeping, at the same time, the merit of economic individualism within the framework of the existing social structure.

As is clear there, Keynes' statement about contemporary capitalism consists of two parts. The first statement is that it is no longer self-regulating and the second is that it could be, and must be, regulated. The first is his criticism of capitalism and the second his positive proposals. Let us examine the former here and the latter in the next section.

The essence of Keynes' criticism of capitalism is that it is no longer self-regulating as we see in the severe depression and mass unemployment in the inter-war period. This appears comparatively modest, but it repudiates wholly classical theory and its practical meaning. The practical meaning of classical theory is still to be found in the presumption in favour of laissez-faire, but the revolutionary nature of Keynes' theory lies in the repudiation of any presumption in favour of laissez-faire. As Dudley Dillard says, the marriage of economic theory with laissez-faire has been losing ground at least since the time of John Stuart Mill, so we can find the fundamental significance of Keynes' theory in divorcing economic theory from laissez-faire.¹⁾

Classical economic theory rests on the assumption of full employment of labour and other resources. It asserts that lapses from full employment are regarded as abnormal and that there is always a *tendency* towards full employment. As a general rule to which there are minor exceptions, laissez-faire, the absence of government control of private enterprises, guarantees normal full employment. Keynes' criticism of the classical theory concentrates on this assumption. In the concluding notes of the *General Theory* he states: "Our criticism of the accepted classical theory of economics has consisted not so much in finding logical flaws in its analysis as in pointing out that its tacit assumptions are seldom or never satisfied, with the result that it cannot solve the economic problems of the actual world."²⁾ In contrast with classical theory, Keynes takes the normal condition in laissez-faire capitalism to be a fluctuating level of

1) Dudley Dillard, *The Economics of John Maynard Keynes: The Theory of a Monetary Economy*, 1954, p. 16.

2) John Maynard Keynes, *The General Theory of Employment, Interest and Money*, 1936, p. 378 (*General Theory* for short in the following).

employment. Capitalism shows a tendency for the capacity to produce to outrun the capacity to consume because the unequal distribution of income is associated with a low propensity to consume. The successful functioning of the capitalist system depends on a high rate of capital accumulation; otherwise a great potential savings could not be realized in the form of new capital assets.¹⁾ The alternative is mass unemployment. So he states that capitalism must be regulated for its survival. He advocates in the concrete the abandonment of laissez-faire and the positive governmental intervention in the economy. We must continue our examination of Keynes' theory by giving an account of his proposals for the conscious and positive control of the system.

(2) Positive Proposals

Keynes' positive proposals, based on the above-mentioned criticism of the laissez-faire capitalism, are arranged chronologically as follows.

First of all, the outline of the public policy which has been specifically associated with his name—credit control to eliminate the credit cycle, State-sponsored capital development and, some check upon the outward flow of capital in such a country as Britain was already completed as early as in 1924, twelve years before the publication of the *General Theory*. Keynes' biographer, R. F. Harrod, took a keen interest in this fact and states, "When we have Keynes' *General Theory* in our hands, it is easy in retrospect to give a theoretical defence of the practical policy which he outlined in 1924."²⁾ On April 12th of that year Lloyd George wrote to the *Nation*, a weekly bulletin of the Labour Party, calling for a large-scale programme of public works to cope with the social evil of unemployment. On May 24th of the same year Keynes expressed in the same magazine his opinion agreeing with him under the title of "Does Unemployment Need a Drastic Remedy?" He proposed that the Treasury should use the Sinking Fund "to spend up to, say, £100,000,000 per year on the construction of capital works at home and recommended a national scheme for the mass production of houses, the adaptation of the road system to the need of modern transport, and

- 1) The old idea that equality and progress are incompatible is transformed by Keynes' theory into the revolutionary doctrine that greater equality is one of the essential conditions of progress.
- 2) R. F. Harrod, *The Life of John Maynard Keynes*, 1951, p. 352. The mind of the public was slow to move in 1924, and Keynes got little support for his policy, which was planned to meet contemporary evils.

a large scheme for the transmission of electric power.”¹⁾ From then he came to advocate positively the public investment policy for the ultimate cure of unemployment.

In 1926 he explained the principle of policy in a society that had abandoned laissez-faire in the famous booklet, *The End of Laissez-faire*. In the first place, he cited what he called the “self-socialisation” of big concerns.²⁾ He took note of “the trend of Joint Stock Institutions, when they have reached a certain age and size, to approximate to the status of public corporations rather than that of individualistic private enterprise.”³⁾ “A point arrives in the growth of a big institution—at which the owners of the capital, *i. e.* the shareholders, are almost entirely dissociated from the management, with the result that the direct personal interest of the latter in the making of great profit becomes quite secondary. When this stage reached, the general stability and reputation of the institution are more considered by the management than the maximum of profit for the shareholders.”⁴⁾ He maintained that this was a development to be encouraged. If it proceeded, as it was bidding fair to do, it would remove the necessity for State Socialism. He criticized State Socialism as being doctrinaire and also so-called important political question of the Nationalization of the Railways which the State Socialism had advocated as so irrelevant to the reorganization of the economic life of Great Britain.

In the second place, he proceeded to policies where this solution did not apply. He came to a criterion of *Agenda* which is particularly relevant to what it is urgent and desirable to do in the near future. He says, “The most important *Agenda* of the State relate not to those activities which private individuals are already fulfilling, but to those functions which fall outside the sphere of the individual, to those decisions which are made by *no one* if the State does not make them. The important thing for Government is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do these things which at present are not done at all.”⁵⁾ He continues

1) Keynes, “Does Unemployment Need a drastic Remedy?”, *The Nation*, May 24, 1924. *cf.* Harrod, *op. cit.*, pp. 345-6.

2) He referred to the Bank of England as its prime example.

3) J. M. Keynes, *The End of Laissez-faire*, 1926, in his *Essays in Persuasion*, 1931, p. 314 (*Essays* for short in the following).

4) *Ibid.*, pp. 314-5.

5) *Ibid.*, p. 317.

that the cure of many economic evils of our time—unstability of capitalism, great inequalities of wealth and income, and the unemployment of labour—lies outside the operations of individuals. So he maintains emphatically that the State should take measures to meet them. He points out the following three cures for these things:¹⁾

- (i) the deliberate control of the currency and of credit by a central institution, and the collection and dissemination on the great scale of data relating to the business situation,
- (ii) some co-ordinated act of intelligent judgement as to the scale on which it is desirable that the community as a whole should save, the scale on which these savings should go abroad in the form of foreign investments, and whether the present organisation of the investment market distributes savings along the most nationally productive channels, and
- (iii) a considered national policy about what size of population is most expedient.

We can find there his theory—control of the currency and of credit and the planning of investment—in a fairly clear and accurate form.

The *General Theory* of 1936 after the Great Depression throws doubt on the survival powers of capitalism in every place. The problem in the *General Theory* is that of implementing a declining capitalism against the loss of the self-recuperative powers that characterized it during the nineteenth century. The most important problem is that of eliminating unemployment. The immediate proposals suggested by Keynes for promoting a high level of employment are summarized as follows:

- (i) Progressive taxation to raise the community propensity to consume;
- (ii) Public investment and public control of private investment to compensate for and to reduce the magnitude of fluctuations in the marginal efficiency of private investment;
- (iii) Strong monetary authority to control the supply of money and lower the rate of interest.

But Keynes, who lays emphasis on the instability and the declining trend of the marginal efficiency of capital, recognizes that the right tax program and the right policy of interest could not be enough to raise

1) *Ibid.*, pp. 318-9.

the propensity to consume, though they could have much influence on consumption. He also recognizes that the influence of banking policy in the rate of interest will be insufficient by itself to determine an optimum rate of investment and that the drastic lowering of the rate of interest will be difficult under the existing system. So he maintains, "... a somewhat comprehensive socialisation of investment will prove the only means of securing an approximation to full employment."¹⁾

Although the *General Theory* contains numerous references to the socialization of investment, it is nowhere elaborated. In the broadest sense, it may be taken to include a policy of investment control to offset cyclical fluctuations in private investment, and to overcome the obstacles in the way of, and the difficulties arising in connection with, the secular decline in the marginal efficiency of capital. It may mean, in a more radical sense, the government control of investment through the nationalization of the basic industries whose investment amounts to a vast sum. Judging from Keynes' proposals, however, it is clear that by the socialization of investment he did not mean the latter but the former. Keynes' proposal seems to suggest control of private investment of rather far-reaching nature as well as public investment on an expanded scale. Keynes states explicitly that socialized investment does not mean that the instruments of production would be owned by the government.²⁾ Moreover, it is also clear that he does not think state authority should control the allocation of resources among various forms of investment even though state authority determines the total quantity of investment. "Socialisation of investment" implies neither nationalization of instruments of production nor the planned economy by the central authority. He advocates neither nationalization of industry nor general economic planning. This is a very important point in relation to the theme of this treatise.

Keynes first advocated public investment as a recovery measure in the British election campaign of 1929. When little came of public works in Great Britain, Keynes turned his attention to the New Deal in the United States and praised it. However, he was critical of the lack of planning in American public works, and emphasized the necessity for a well-ordered public-expenditures program. In this way, his proposal

1) Keynes, *General Theory*, p. 378.

2) *Loc. cit.*

for socialized investment led to the necessity for over-all economic planning and this in turn to the proposal to set up a Board of Public Investment¹⁾ in 1938. He recommended the British government to set it up, its function being to make plans for increases in public investment to supplement private investment whenever an economic recession threatened to arise. According to him, President Roosevelt's program, although useful in saving the United States from a more complete economic collapse, was largely improvised and planless as a system of work relief. Keynes saw in this lack of preparedness for public investment the main cause of the recession of 1937 and 1938.²⁾ So the Board of Public Investment was to be organized as a permanent agency of the government.

(3) Relation to the Problem of Nationalization

Let us review Keynes' theory from a viewpoint of nationalization which is our central problem, though the relation of Keynes' theory to nationalization has probably been made clear from the above.

Firstly, we must review Keynes' general view of capitalism. As mentioned in the above, he criticized laissez-faire capitalism, pointed out the cause of its disease, and wrote out a prescription for it. Still he set a high value on capitalism itself saying, "For my part, I think that Capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight, but that in itself it is in many ways extremely objectionable."³⁾ His positive pro-

1) J. E. Meade also proposes the establishment of a National Investment Board from the same point of view as Keynes'. He suggests that unemployment may be cured by one of the following methods:

- (a) by stimulating the total expenditure of the community on capital development;
- (b) by increasing expenditure on consumption goods without any diminution in expenditure on capital development; or
- (c) by reducing money cost of production without allowing any diminution in total money expenditure on capital goods or consumption goods.

And he discusses as a concrete measure for each:

- (a') lowering the rate of interest and increasing public investment;
- (b') the expansion of consumer credit by unemployment insurance and tax reduction; or
- (c') decreasing the money wage rate.

He states (a') and (b') are better than (c'), and that especially (a') is the best in view of the actual effect, and so he advocates the establishment of the National Investment Board as an organization to provide some incentive for the planning and execution of investment development. (See J. E. Meade, *An Introduction to Economic Analysis and Policy*, 1936, Chaps. 1-7, especially pp. 45-8.)

2) *The Times*, January 3, 1938, p. 13.

3) Keynes, *The End of Laissez-faire*, Essays, p. 321.

posal that "Capitalism could be, and must be, regulated" is based on this positive appraisal and the critical view of capitalism.

Secondly, though he proposes such positive state intervention into the economy as "socialization of investment" and over-all economic planning, it is not incompatible with the essentials of capitalism but rather it will reinforce a declining capitalism. He says, "... the enlargement of the functions of government, ... would seem to a nineteenth-century publicist or to a contemporary American financier to be a terrific encroachment on individualism, I defend it, on the contrary, both as the only practicable means of avoiding the destruction of existing economic forms in their entirety and as the condition of the successful functioning of individual initiative."¹⁾ In this sense, Keynes did succeed in seeing the system of capitalism from the outside in contrast with previous orthodox economists. But it must be admitted that he remained within the system, when compared with the standpoint of a socialist.²⁾

Thirdly, it must be noted especially that Keynes regards the nationalization of industry as unnecessary and undesirable in spite of the high degree of government intervention involved in his programme. He conceived that a somewhat comprehensive socialization of investment would prove the only means of securing an approximation to full employment and he said, "But beyond this no obvious case is made out for a system of State Socialism.... It is not the ownership of the instruments of production which it is important for the State to assume. ... Moreover, the necessary measures of socialisation can be introduced gradually and without a break in the general traditions of society."³⁾ This attitude in his theory bore the political bias against the Labour Party in the practical activity. (In listing his objections to joining the Labour Party, Keynes wrote in 1925: "To begin with, it is a class party, and the class is not my class."⁴⁾ He thought that the class character of the Labour Party itself imposed limitations on its capacity for

1) Keynes, *General Theory*, p. 380.

2) John Strachey blames Keynes that he could not recognize contemporary capitalism being no longer self-regulating as the result of its changing, its monopolizing, saying, "His profound weakness was that this outlook remained bounded by capitalism." (Strachey, *op. cit.*, p. 251.)

3) Keynes, *General Theory*, p. 378.

4) Keynes, "Am I a Liberal?", 1925, *Essays*, p. 324.

dealing appropriately with social and economic issues.¹⁾

Forthly, Keynes' theory exercised nevertheless much influence on the development of the British thought on nationalization and also on the Labour Party's policy of nationalization. The *General Theory* provided what had been lacking, to some extent in socialist as well as non-socialist ideas: an economic rationale for general government control, as distinct from piecemeal intervention. To this we will refer in detail in detail in the next section.

Fifthly, there is something relating to the development of the thought on nationalization in Keynes' theory in spite of his objection to the nationalization of industry. He gave some examples of separate autonomies as the Bank of England and the Port of London Authority saying, "I believe that in many cases the ideal size for the unit of control and organisation lies somewhere between the individual and the modern State. I suggest, therefore, that progress lies in the growth and the recognition of semi-autonomous bodies within the State..."²⁾ We can find there a germ of combination of Keynes' theory of planning with the form of public corporation which we have already examined. (The detail will be discussed later.)

(4) Comparison with Pigou's and Meade's Theory

Besides Keynes there are some economists, such as A. C. Pigou and J. E. Meade, who made some theoretical contribution to the problem of economic control or planning by the State in the inter-war period.³⁾ Keynes' theory had an important effect upon the development of the thought on nationalization by theorizing the investment policy as an anti-recession measure. On the other hand, Pigou's *The Economics of Welfare* and Meade's theory which made a policy of both investment and pricing, exercised also an effect on the formation of the thought on nationalization by developing a pricing policy as a measure for the best allocation of resources. But Keynes' influence was so strong that, as the phrase of "Keynesian Revolution" tells, it may be said that Keynes' influence brought about "a kind of Keynesian Revolution" also in the

1) Harrod refers to this point saying, "Thus both in temperament and doctrine he was opposed to many elements in the Labour Party." (Harrod, *op. cit.*, p. 333.)

2) Keynes, *The End of Laissez-faire, Essays*, p. 313.

3) About Pigou see Section 2 in last chapter, and about Meade footnote (1) in p. 9 in this issue.

development of the thought on nationalization. We do not here have space enough to do justice to the theory of Pigou and Meade in spite of a great contribution of their theory. So we only refer briefly to the comparison between Keynes' theory and Pigou's and Meade's from the point of nationalization.

These three have something in common in having advocated the revision of capitalism—control, planning, and public management—from the viewpoint of liberalism. But Keynes differs from the other two in the next two points. Firstly, Pigou and Meade attach importance to the difference between public *management* and private but they did not take a serious view of the difference between public *ownership* and private at all. They consider the problem of ownership only in the problem of distribution from the point of equalization of incomes. They emphasize the difference between national or public *ownership* and national or public *management*. They do not advocate national or public *ownership* but national or public *management*. National or public ownership does not become an issue in their theory and we can not find positive support or objection to them. But Keynes opposed definitely to nationalization of the instruments of production as already mentioned.

Secondly, we can find a generous attitude to socialism in Pigou and Meade. For example, Dillard says that Professor Pigou becomes virtually a socialist in his *Socialism versus Capitalism* of 1937,¹⁾ and Meade calls himself a liberal socialist.²⁾ But Keynes keeps himself far more aloof from socialism than they do in spite of his positive proposals to reform capitalism. Namely, Harrod puts emphasis on Keynes' anti-socialism, which was indeed strong, so often in his book of Keynes' biography.

Thus, Keynes denies nationalization of the means of production, and stands aloof from socialism, being different from the socialists whom we referred to in the previous chapters. The reason why we dared to give a chapter for Keynes nevertheless will be made clear in the following.

1) Dillard, *op. cit.*, p. 322.

2) J. E. Meade, *Planning and the Price Mechanism: The Liberal-Socialist Solution*, 1948. Pay attention to the subtitle of this book. He puts emphasis on making the fullest use of the price mechanism and of free initiative and competition. But, at the same time, he advocates the socialization of certain monopolistic concerns and the State control of the price mechanism. It is needless to say that his Liberal Socialism is different from libertarian socialism or competitive socialism which Oskar Lange advocates against authoritarian socialism.

3 Application of Keynes' Theory to Nationalization

It is an important question how far the type of thinking engendered by Keynes' theory, congenial as it is to the atmosphere in which socialism, especially democratic socialism, grows, is compatible with the ultimate aspirations to which socialism adheres and the type of strategy (nationalization) these aspirations may require. At first it seemed, as Adam B. Ulam says,¹ that the general tendency of Keynesian economics was to set up a half-way system designed to save capitalism and consequently that most socialists would regard it as a direct rival to their own creed. Indeed, many Marxist economists held so. But the fact remains that the economic postulates of the theory bear a close resemblance to the preliminary goals of evolutionary socialism. Socialists and the Labour theorists, therefore, applied Keynes' theory positively to their advocacy of nationalization. They noticed that the nationalized industries were very big capital users and so they expected the investment policy of the nationalized industries to maintain a high level of investment to attain and secure full employment. They expected the expansion and planning of investment in the nationalized industries, which were heavy investors, could solve those difficult problems which Britain faced at that time, such as an outflow of investment and a shortage of new investment. And it is clear that this gave socialist advocacy of nationalization a good reason for it.

Harrod explains this state of affairs as follows: "Some members of the Labour Party may have been influenced by the thought of Keynes. He held that, in order to iron out the business cycle and maintain a high level of employment, it might be necessary for economic policy makers to have some control over the amount of investment in certain important industries. It is to be noted that the nationalized industries are very big capital users; although they employ only about a quarter of the labour force, they have at times approached the point of being responsible for nearly half of all investment in productive industry (including transport). Control of investment did not necessarily imply nationalization in Keynes' mind; that in his view need only be looked upon as a weapon of last resort if one could not get the control in any other way. Yes, if such control was judged expedient, this might work

1) Adam B. Ulam, *Philosophical Foundations of English Socialism*, 1951, p. 136.

in the mind of a socialist as a good reason for nationalization."¹ As is clear in this passage, some members of the Labour Party utilized Keynes theory as a good reason for nationalization by combining a special character of the nationalized industries as heavy investors with the planning of investment.

We can find a typical example of the Labour theorists' application of Keynes' theory to their advocacy of nationalization in Douglas Jay's case for nationalization. His *The Socialist Case* of 1937, based on Keynes' theory, gave a theoretical foundation to the advocacy of nationalization. He maintained nationalization of industries from the view point of employment policy. He stated there that we could use, as Keynes said, interest rates, public works, and deficit financing as anti-recession measures in a depression time. In these circumstances, according to Jay, if the central authority could enforce a large section of industry not to dismiss men, but to continue working at a loss with the financial assistance of the State, the situation might quite conceivably be saved. But the sudden grant of discriminating loans or subsidies might raise insoluble problems of personal influence and rivalry among jealous vested interest. So such a plan, however, would be impossible in a world of completely uncontrolled competing producers. Here, therefore, is at least one important way—in which the existence of "a State-controlled section of industry" would assist the monetary authorities in their all-important campaign against unemployment.²

As mentioned above, Jay advocated nationalization on the basis of Keynes' theory, while G. D. H. Cole's advocacy of nationalization developed after the Second World War rests on denying Keynes' proposals. This contrast is very interesting, so let us examine Cole's new theory in relation to Keynes' theory, though it is somewhat lengthy.

According to most socialists, it has, hitherto, been contended that the disease of unemployment was incurable except by socialization, but he refers to Keynes, saying, But now it appeared, if Keynes were right, that full employment could be maintained without socialisation, merely by manipulating the correct levers at the center, in the money and investment market."³ But Cole denies Keynes. According to Keynes, 'public

1) Roy Harrod, *The British Economy*, 1963, p. 52.

2) Douglas Jay, *The Socialist Case*, 1937, pp. 323-4.

3) G. D. H. Cole, *Socialist Economics*, 1950, p. 47.

works policy' of the State appeared not as a prime mover, but rather as one among a number of budgetary devices for keeping economic activity at a high level. In this case, in order to achieve and maintain full employment without inflation, it is necessary that the State should be in a position to regulate investment, prices, and incomes. But Cole maintains as follows: Although it would be theoretically possible for the State to exercise all these powers by 'control', without taking any considerable executive functions into its own hands, he cannot conceive of such an arrangement working in practice, except very ill. Taking the case of investment, the State can, no doubt, in theory, channel private investment into the forms of development it thinks best; but in practice, if it relies on 'controls', it has to do this mainly by forbidding types of investment which it thinks less desirable, or actually disapproves. The effect may be that of reducing the total volume of investment—it is unlikely to be very satisfactory in securing the right balance among the permitted types of investment. So he comes to the conclusion, "the State must itself become an investor, and therewith an owner of capital assets: not necessarily the owner, but investor and owner on a considerable scale, not only in a limited group of 'public service' industries, but over a wide field, covering potentially every major type of capital development."¹ Thus, contrary to Keynes' theory, 'socialization of investment' in Cole's theory requires nationalization of industries.

Thus, the Labour Party succeeded in combining Keynes' theory with the nationalization of the means of production (contrary to Keynes' thought itself!²) by noticing the character of very big investors or very big capital users of the nationalized industries or by emphasizing the

1) *Ibid.*, p. 51.

2) Let us say a word about Meade. His theory seems to be more favourable to the Labour's advocacy of nationalization than Keynes'. Meade expresses his approval of the socialization of industries which makes a large sum of expenditure on capital development when the State has not the power of control over expenditure on capital development by any other means than the socialization of industries, saying clearly as follows in the last part of his advocacy of the National Investment Board which we already examined: "... and an important argument in favour of the socialization of industries is that it would help to cure unemployment by giving the state this extra power of control over expenditure on capital development." (Meade, *An Introduction to Economic Analysis and Policy*, p. 48.) This seems to be a theoretical proxy for the Labour's explanation of Keynes' theory. But we must pay attention to the fact that the socialization of industries in Meade's theory does not involve public *ownership* of the capital of industries but only public *control* or *management* of these industries. (*Ibid.*, p. 190.)

special role of increasing employment in the public sector. The Labour theorists have hitherto advocated nationalization on the basis of income distribution or workers' control and have been lacking in the theory of the dynamic analysis of the capitalist system. But through Keynes' theory they acquired the basic theory which made up for their defect and added a new theoretical weapon to their own maintenance of nationalization.

As a result, in fact, nationalization came to be maintained in the Labour Party's programmes for economic planning (planning of investment or employment) rather for industrial democracy. We can find this change in the following three programmes: *Labour and the New Social Order*, 1918, *Labour and the Nation*, 1928, and *For Socialism and Peace*, 1925. Nationalization is advocated for democratic control of industry in the programmes of 1918 and of 1928, but it is maintained for 'full and rapid socialist planning' in that of 1935. At the same time, the measure for the cure of unemployment shows some slight changes. It was an expansion of social insurance in the programme of 1918, while in that of 1928, it was the expansion of social insurance and of public works. Again, it was exclusively the expansion of public works in that of 1935. Thus, the factor of economic planning acquired importance in the advocacy of nationalization on the one hand, and in the unemployment countermeasure on the other hand. So we can find the formula in *For Socialism and Peace*, 1935: "the need for the cure of unemployment→the recognition of the need for economic planning→the advocacy of nationalization". The movement for nationalization of the Labour Party combined with the cure of unemployment which was the most urgent need of the time and, then, the Labour Party succeeded in making nationalization the need of the time.¹⁾

1) The above is the explanation of the Labour Party's absorption of Keynes' theory in its policy of nationalization. By contrast, we can find the absorption of nationalization in the Keynesian full employment policy in A. H. Hansen. He says, "The nationalization of these industries is being undertaken on grounds of general social policy, and not primarily as a part of a program of full employment. Nevertheless, the nationalization program *may* have important consequences for full employment. . . . Moreover, an expansion of the public sector, . . . , widens the sphere for public investment, and thus the area in which direct control of capital outlays can be exercised. A 'mixed society' affords larger scope for the regularization of investment. This program is far less revolutionary than is often supposed." (A. H. Hansen, *Economic Policy and Full Employment*, 1949, pp. 80-1). The

4 Evaluation of Keynes' Theory and Problems in Its Application to Nationalization

How did Keynes' theory influence the development of the British thought on nationalization and what problems did it raise through that influence? Let us conclude this chapter by examining these problems.

In the first place, we can summarize the influence of Keynes' theory on the development of the thought on nationalization as follows.

Firstly, Keynes' theory provided a new theoretical basis for the advocacy of nationalization. It added an entirely new capitalist grounds for the advocacy of nationalization which had firmly combined with socialism. As we have already examined in the previous chapters, the traditional thought on, or advocacy of, nationalization was socialistic and aimed firmly at a socialist system, as was clear in the Webb's theory of nationalization for improving the inefficiency and income inequality of capitalism, or in Cole's Guild Socialism for the release of the worker from being the wage-slave. But the traditional theory of nationalization changed into a part of anti-depression measures, playing an important political role in the capitalist system by combining with Keynes' theory, which advocated the economic planning. This gave a new vitality to the movement for nationalization, because it had been obliged to be stagnant temporarily both in theory and in practice owing to the attack of the Marxism storm on some theoretical leaders of the Labour Party in the 1930's¹⁾ and such a stumbling in the practical movement as the failure

relation between nationalization and Keynes' theory is not only the former's unilateral taking in the latter as mentioned above, but, at the same time, progressive Keynesians intend to include nationalization in their full employment policy. This is very interesting, as it shows the close relationship in economic policy between the two in spite of Keynes' denial.

- 1) Not a few intellectual elements of the Labour, who, different from Marxists in the Continent, had taken their ground on the special reformism, came to have a doubt about their way and were converted to Marxism under the impact of the depression of 1931 and rising fascism. The Webbs were the greatest example. They started by avoiding Marxism thoroughly and ended by accepting it wholeheartedly. They travelled through the Soviet Union twice in the early 1930's and wrote *Soviet Communism* in 1935. In the past half century, they kept on denying Marxism and advocating Fabian Socialism. But in that book they changed suddenly their coat praising the Soviet Communism and its planned economy. We cannot help being surprised at their conversion. Since this conversion, they dropped out of the chief maker of the theoretical prescriptions for the Labour's policy and Cole, who had flexibly recanted with the actual recognition, came to have the strongest influence next to Morrison. (About Cole's recantation, see his own confession in *The Next Ten Years in British Social and Economic Policy*, 1930, Chap. XIII, especially pp. 160-2.)

of a general strike in 1926.

Secondly, the above-mentioned fact changed the character of the movement for nationalization and increased its supporters. The movement for nationalization changed its colour from traditional ideological and socialistic, to actual and capitalistic. It has, thus, been understood not as a radical and socialist movement but as a moderate one compatible with the existing system. It was a movement only among limited socialists, but, through this change in colour, it grew now into a movement supported by the majority as a way out of economic difficulties in the existing system. This must not be ignored as a factor which led the Labour's movement for nationalization to its successful practice after the Second World War.

Thirdly, the traditional advocacy of public ownership was various in the forms of ownership—national ownership, local or municipal ownership, co-operative ownership, and ownership by Guild. But the forms of public ownership except nationalization went back in the inter-war period because of the recognition of the need for national economic planning or the general control by the Government as an anti-recession measure during that time. So it may be said that Keynes' theory unified many forms of public ownership in the traditional advocacy into one form of nationalization.

Fourthly, about the actual forms of business organization Keynes rejected departmental enterprise and set a high value on semi-autonomous corporation. This, it can be said, gave Morrisonian Public

We can see the following examples of the above-mentioned radicalization in the British socialism.

S. and B. Webb, *Soviet Communism: A New Civilization?*, 2 vols., 1935. (The question mark at the end in the first edition was removed in the second and after editions.)

G. D. H. Cole, *What Marx Really Meant*, 1934. (But he was not always uncritical about Marxism.)

John Strachey, *The Coming Struggle for Power*, 1932.

———, *The Menace of Fascism*, 1933.

———, *The Nature of Capitalist Crisis*, 1935.

———, *The Theory and Practice of Socialism*, 1936. (He left the Labour Party in 1931, which could do nothing in the face of the Great Depression, and became a praiser of the Soviet Communism. But he turned again to the Labour Party under the influence of Keynes toward 1938.)

Harold Laski, *The State in Theory and Practice*, 1935.

———, *A Grammar of Politics*, 1925, Preface to the 1938 ed. (He had a great influence in the sphere of political science. He turned to the class state theory of Marx and pointed out a mistake of the pluralistic conception of the State.)

Corporation a new position and a theoretical guarantee in economic planning. Keynes did not use the term "public corporation" in its present sense, but it is clear that his "semi-autonomous corporation" means, in effect, our public corporation. In fact, the public corporation seemed to fit the needs of economic planning in the following two ways:

- (i) it embodied strong managerial authority, so that it could ensure that agreed central plans were carried out; and yet
- (ii) it was sufficiently independent to be able to respond to market pressures and so enable consumer demand to affect future plans.

The notion of a centrally directed economy came under strong attack by anti-socialist and anti-Keynes economists between the wars. It was argued very strongly that without a free market from which freely negotiated prices could emerge, the controllers of enterprises would have no guide by which to make rational production decisions. Nor would a central directorate have any means of relating their programmes to what people actually wanted.¹⁾ For economic planning to overcome this danger, it can be said that the form of the public corporation was necessary. Thus, we can evaluate that Keynes' idea of economic planning was united with the actual rise of the public corporation and promoted it further. Lord Reith, a member of the House of Lords and the first Director-General of the British Broadcasting Corporation from 1927 to 1938, made much of this, and it is said by Ernest Davies that he saw in

1) See F. A. v. Hayek (ed.), *Collectivist Economic Planning*, 1935. Criticism of economic planning was brought forward by L. E. v. Mises' thesis of 1920 in this book, "Economic Calculation in the Socialist Commonwealth." His argument consists of the following steps:

- (i) under capitalism resources are allocated to various industries and the appropriate methods of production are determined through the medium of a price system, which in turn is regulated by the market competition of independent owners of the means of production (with this proposition, incidentally, socialist as well as bourgeois economists are in agreement);
- (ii) under socialism all means of production are the property of the community as a whole;
- (iii) since, therefore, there are no independent owners to compete on the market, it follows that there can be no pricing of the means of production under socialism;
- (iv) without prices for the means of production rational economic calculation is impossible;
- (v) hence, finally, socialism is bound to fail.

Hayek, the leader of opponents to economic planning, promoted Mises' criticism, and brought about a dispute on theory of economic calculation, one of the most important problems in academic circles during the twenty years thereafter. Moreover, there were opposite opinions or counterevidence of F. M. Taylor and O. Lange. About this dispute see P. M. Sweezy, *Socialism*, 1949, Chap. XI.

the public corporation a means of replacing, by some form of planning, the *laissez-faire* Liberalism of the past.¹⁾ Special attention must be paid to this.

Next, we come to the problems in the application of Keynes' theory to nationalization. The problem is not Keynes' theory itself but rather the Labour's combination of Keynes' theory with their advocacy of nationalization or their positive application of it to nationalization.

Firstly, with their absorption of non-socialist Keynes' theory into the idea of nationalization, the socialist and traditional colour of the nationalization policy became faint and the colour of capitalist and anti-depression policy clear. Thus, the practice of nationalization after the Second World War must be evaluated not as a thoroughgoing reform from the socialist point of view, but only as an insufficient result.²⁾ For example, Cole concluded his argument on Keynes by saying, "The upshot of argument is that the Keynesian revolution in economic thought is to be welcomed and accepted by Socialists up to a point, but cannot be taken as a substitute for Socialism, or for a socialist economic theory which goes a long way beyond it. Keynesism is, in the last analysis, a very elaborate mechanism for *offsetting* rather than curing certain glaring deficiencies in the working of capitalist society."³⁾

Secondly, the big problem is the gap between the idea of nationalization which tended to be an anti-depression policy under the influence of Keynes' theory and the economic circumstances under which the idea was practiced. The British economy after the Second World War enjoyed full employment in the continuing inflation and it faces an entirely different problem from that in the inter-war period, a serious depression and mass unemployment. Therefore, the problem in the idea of nationalization was already solved and a new problem arose which nationalization could not solve. Harrod says, "We may ask ourselves what would have been the economic fortunes of Britain... had she executed a thorough reconstruction of her public utilities and basic

1) Ernest Davies, *National Enterprise : The Development of the Public Corporation*, 1946, p. 30.

2) Especially many Marxists make little of the socialist significance in the experiment of nationalization. We can see its typical example in Sweezy's *Socialism*. But H. Fagan, though he is also a Marxist, indicates its defects and some weak points and sets a high value on its positive step to socialism. (H. Fagan, *Nationalisation*, 1960, pp. 33, 38, 60, etc.)

3) G. D. H. Cole, *Socialist Economics*, p. 54.

industries in the 'twenties, when she had spare resources for the purpose."¹ He goes on to say that such a reconstruction was found to be sadly overdue ten and twenty years later, at a period, of all periods in British history, the least suitable for such an undertaking, namely, 1945-50.² The time lag between formation of the idea of nationalization and its practice spoiled much of the meaning or effect of nationalization policy.

Thirdly and lastly, the state, during the Second World War, discovered those ways and means of regulating industry and commerce which had never been suspected. The State took powers to control economy without owning industries. This proved that the State could succeed, by controlling industries without owning them, in curing the depression and unemployment, which Keynes called in question, and also in attaining socialist purposes as equalization of incomes and promoting efficiency. So ownership proved not so important as it had been and nationalization policy has much lowered its position in various economic policies.

5 Basic Literature

As basic literature on Keynes' theory of economic planning and the Labour's application of it to their advocacy of nationalization, the following can be listed:

John Maynard Keynes. *The General Theory of Employment, Interest and Money*. London: Macmillan, 1936.

———. *Essays in Persuasion*. London: Macmillan, 1931.

Dudley Dillard. *The Economics of John Maynard Keynes: The Theory of a Monetary Economy*. New York: Prentice-Hall Inc., 1948.

R. F. Harrod. *The Life of John Maynard Keynes*. New York: Harcourt, Brace and Co., 1951.

Seymour E. Harris (ed.). *The New Economics: Keynes' Influence on Theory and Public Policy*. New York: Alfred A. Knopf, 1947.

John Strachey. *Contemporary Capitalism*. London: Victor Gollancz, 1956.

G. D. H. Cole. *Socialist Economics*. London: Victor Gollancz, 1960.

Douglas Jay. *The Socialist Case*. London: Faber and Faber, 1937.

1) Harrod, *The Life of J. M. Keynes*, p. 349.

2) *Loc. cit.*

VII *The Practice of Nationalization by Non-socialists and Their Theory of Monopoly*

1 The Practice of Nationalization by Non-socialists

There have been those who would not accept any general socialist doctrines, but were nevertheless prepared to advocate nationalization of particular industries and services. It should be noted that a considerable amount of nationalization had been undertaken before 1945 by non-socialist and anti-socialist governments.¹⁾ The following are the main examples in chronological order. (in order of the date when the nationalization acts passed.)

In the first place, we can see the following instances before the First World War.

(1) Inland telegraphs were nationalized in 1869. (The word "nationalise" was apparently first used in this connection.²⁾) This nationalization was done by Mr. Gladstone, the premier of the Liberal Government at that time. He also contemplated the nationalization of the railways at one time.³⁾

(2) Joseph Chamberlain, Lord Mayor of Birmingham, induced in the 1870's the city corporation to embark on municipal trading and the large-scale ownership of land in order to make profits which could be used to reduce the local rates.⁴⁾ The promotion of municipal tradings in Birmingham by him encouraged their growth in the whole country. In the 1860's and the early 1870's, some twenty local authorities acquired undertakings from private gas supply companies or (more rarely) established their own. In all, sixty-eight municipal gas undertakings appeared between 1869 and 1878, twenty-nine of them in the last two years of

1) Hanson calls attention to this fact at the beginning of his book. cf. A. H. Hanson (ed.), *Nationalization*, 1963, p. 11.

2) *The Oxford English Dictionary*.

3) There were many leading statesmen who advocated the nationalization of the railways outside the Labour Party—from Wellington in 1848 to Churchill in 1918.

4) We must notice that this Chamberlain's view contrasted sharply with those of the Webbs' and Gas and Water Socialists. The Webbs and other leading Fabians took it as the proper basis for municipal trading that local authorities should administer their public utility undertakings without profit or loss for the benefit of the whole local community. This view influenced the general financial aim of the British nationalized industries after the Second World War.

that period. The Public Health Service Act in 1875 established the principle of public ownership in the water works. Between 1870 and 1882, many local authorities constructed public tramways. Thus the public ownership of the water, gas works and tramways¹⁾ was greatly promoted.

(3) In 1902 the Metropolitan Water Act passed. The Metropolitan Water Board, taking over the water supply companies in London, was established in the next year. This nationalization was put into practice by Lord Salisbury's Conservative Government.

(4) In 1908 London port facilities were nationalized by Lord Asquith's Liberal Government.

(5) In 1912 telephones were nationalized by the same Government.

(6) In 1918 Winston Churchill advocated the nationalization of the railways, declaring, "The Government policy is the nationalization of the railways. That great step it has at last been decided to take."²⁾ In fact, that Government grappled with amalgamation of the railway companies.

(7) In 1919 the Coal Industries Commission (Sankey Commission) advised the Government to nationalize the coal industry. The Commission was appointed by the Government and took a neutral attitude but it judged that only nationalization could bridge over the increasing difficulty in the coal industry.³⁾

In the second place there was a slow spread of ad hoc public ownership between the wars. We can see the following examples.

(8) In 1926 Baldwin's Conservative Government nationalized broadcasting.

(9) In the same year the grid was nationalized, too.

(10) In 1933 the National Government of the Conservatives and the Liberals, succeeding to the MacDonald Labour Government's business, nationalized London passenger transport.

(11) In 1938 the Chamberlain's Conservative Government nationalized the royalty of coal mining⁴⁾ for amalgamation of the coal mining

1) The development of electricity was later than this. Electricity began to be used for lighting after the 1880's.

2) *Manchester Guardian*, December 5, 1918, quoted in L. J. Tivey, *Nationalisation in British Industry*, 1966, p. 24.

3) In 1926 the Royal Commission on the Coal Industry (Samuel Commission) rejected this proposal, but advised amalgamation of the coal mining companies.

4) It had been impossible for coal mining companies to expand their scale on account of the

companies and expansion of their business scale.

(12) In 1939 the same Government nationalized overseas airways.

In the third place the need for national economic planning won public recognition in this period and between 1936 and 1945 there appeared some reports advising or proposing the government to intervene more actively in some industries. The examples are as follows:

(13) In 1936 *Report of the Committee on Electricity Distribution* (McGowan Report) was published by Harry McGowan, who was chairman of that committee, and also president of ICI. The report advised the government to systematize the electric power supply, which was omitted in the nationalization of the grid in 1926.

(14) In 1945 *Coal Mining: Report of the Technical Advisory Committee* (Reid Report) was published. Charles Reid, the chairman of that committee, was a general manager of a colliery and famous technical expert. This report was intended to make a drastic reform in the coal industry.

(15) In the same year *The Gas Industry: Report of the Committee of Enquiry* (Heyworth Report) was also published. Geoffrey Heyworth, the chairman of that committee, was the president of Unilever. That report advised the government to unify gas companies into regional groups.

Not all these reports advised nationalization directly, but it is true that they gave a favourable ground for nationalization, for they recommended such a drastic step as, it was thought, would be impossible without nationalization.

2 Non-socialists' Theory of Monopoly

It is clear that non-socialists have advocated and practiced the nationalization of industries which tend inevitably to become monopolies. Perhaps the argument that appealed most strongly to them was the theory of monopoly. There are three cases in their argument.¹⁾

The first is natural monopoly argument. Some industries tend naturally to become monopoly (what is called natural monopoly). Non-socialists' advocacy or practice of nationalization mentioned in the above was

royalty. So to nationalize it was thought necessary for amalgamation or expansion of the business.

1) cf. C. A. R. Crosland, *The Future of Socialism*, 1956, Chaps. XXII, Section I.

mostly the nationalization of public utility, that is, electricity, gas, water supply, telegraphs, telephones, railways, and harbours. To form a natural monopoly is a characteristic of industries providing public utility services; since the basic size of plant is very large in comparison with the market (gas, electricity), an elaborate 'octopoid' system of distribution (by piping, cabling, wiring, railway lines, etc.) involves extremely heavy capital costs, and the circulation of capital is very slow, so the fixed capital cost is very high. Any duplication of such productive or distributive equipment would be clearly wasteful, and only cause under-utilization of the competing capital assets, so the competition among the enterprises became a 'waste' or 'destructive' one. It had therefore long been recognized that such public utility industries were unsuitable for competition, and that monopoly (either on a local or national scale) must be permitted. In exchange for the permission of monopoly, however, all Governments had insisted, as a safeguard against possible exploitation, on an elaborate supervision of such monopolies. The tradition of public regulation had grown to the point where outright public ownership or nationalization seemed a simpler and more logical solution.

The second is techniques argument. This is the case of a theoretical monopoly which is different from a natural monopoly mentioned above. By technical economies of scale, large single firm monopolies, or trusts, were often justified. If competition were to be forcibly restored, economies of scale would be lost, to the disadvantage of the consumer. But it appeared to most economists, as well as to socialists, that private monopoly inevitably constituted a threat of exploitation. The natural solution seemed, therefore, to be to substitute public for private monopoly by means of nationalization.

The third is the efficiency argument. This is another case of theoretical monopoly. In this case monopoly was thought to apply more generally than in the above, second case and almost universally, virtually without limit, based on the economies of large-scale organization. Competition was always regarded as wasteful and, efficiency was held to be largely a function of monopoly control. Economies of scale were thought to provide a general argument for such unification and co-ordination as would be possible only under a single ownership. There were some industries, in particular, where the advantages of unification seemed likely to be overwhelming—industries, for example, where the

optimum size of plant was larger than the average existing size (electricity, gas), or where redundancy clearly demanded large-scale reorganization (coal and steel, as it seemed in the 1930's), or where wide differences in efficiency separated the best and worst plants, pointing to a redistribution of output within the industry (coal and steel again), or where overheads were so high that competition must inevitably lead to a wasteful under-utilization of capital equipment (road versus rail). Thus the efficiency argument came to be bound up with a justification of monopoly control. Where it failed to monopolize under the spur of market forces, it was compelled to do so under the aegis of state enterprise and where a private monopoly already existed, it was to be nationalized because it represented a dangerous concentration of power.

Thus the monopoly became desirable for the technical reason or from the viewpoint of efficiency on the one hand, and on the other hand it became necessary to avoid an inevitable exploitation (political and social, if not economic) or a dangerous concentration of power in a private monopoly. Nationalization was thought to be able to satisfy these two requirements harmoniously.

We can, fourthly, add a basic industry argument to the above three. This is the case for state monopoly of an industry because of its strategic position in the economy. This may be called an artificial monopoly different from the natural or theoretical one. The prosperity of the national economy depends very much on that industry, and the level of its output and prices is a matter of particular public concern, so that the immediate solution of public ownership is required.

As is clear in the above passage, it was thought that public ownership would provide necessary safeguards in cases where monopoly was natural or desirable. This was not incompatible with the belief in a generally competitive system or in the greater drive and initiative of private enterprise. These sorts of opinions, together with the piecemeal practice of public ownership by non-socialist governments, seemed to many to confirm the existence of an irreversible trend. Many a man talks of inevitable Government control and ownership 'whatever party is in power'. More and more people came to think that the development of public ownership was an inevitable trend of the times and this trend, together with Keynes' theory of economic planning, mentioned in the previous chapter, led to the nationalization after the Second World War.

3 Basic Literature

Basic literature on the theory and practice of nationalization by non-socialists is as follows:

Great Britain, Coal Industry Commission (Sankey Commission), *Reports and Minutes of Evidence on the Second Stage of the Inquiry*, HMSO, Cmd. 360, 1919.

Great Britain, Royal Commission on the Coal Industry (Samuel Commission), *Report*, HMSO, Cmd. 2600, 1926.

Report of the Committee on Electricity Distribution (McGowan Report), HMSO, 1936.

Ministry of Fuel and Power, *Coal Mining: Report of the Technical Advisory Committee* (Reid Report), HMSO, Cmd. 6610, 1945.

The Gas Industry: Report of the Committee of Enquiry (Heyworth Report), HMSO, Cmd. 6699, 1945.

William A. Robson (ed.), *Public Enterprise: Developments in Social Ownership and Control in Great Britain*, George Allen & Unwin, 1937.

Lincoln Gordon, *The Public Corporation in Great Britain*, Oxford University Press, 1938.

Ernest Davis, *National Enterprise: The Development of the Public Corporation*, Victor Gollancz, 1946.

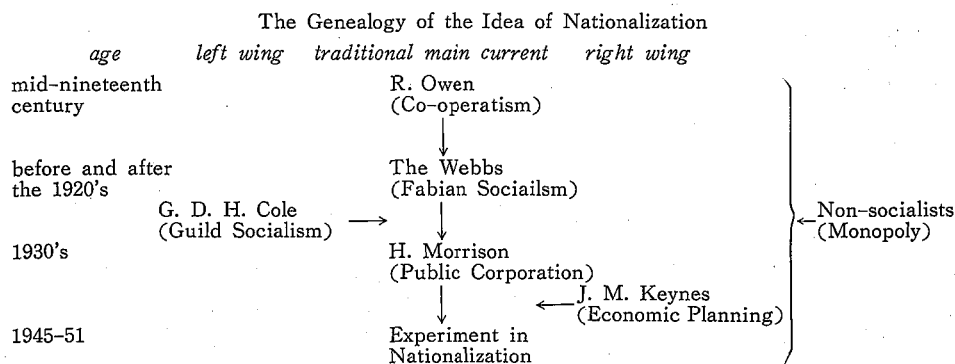
VIII Conclusion

In the above passages, we have seen the development of the ideas of nationalization in Britain from the mid-nineteenth century to just before the Second World War. It was made clear that there were six political and economic factors in the background of idea and theory. Firstly, Robert Owen's Co-operation in the mid-nineteenth century; secondly, the Webb's Theory of Nationalization which became the theoretical base for the Labour Party's policy of nationalization; thirdly, G. D. H. Cole's theory of Workers' Control in Guild Socialism movement; fourthly, Herbert Morrison's theory of the modern Public Corporation which was constructed on the next three bases—(a) a succession of the Webbs' theory of nationalization in its fundamental principles, (b) an effective absorption of Cole's new theory of post-Guild Socialism, and (c) his own business experience related to the transport problems and some public corporations—, fifthly, Keynes' theory of Economic Planning which was a theoretical prescription for the capitalist planning

needed to overcome the serious depression and increasing unemployment in the inter-war period; and sixthly and lastly, non-socialists' advocacy of Public Ownership and their theory of Monopoly. The followings can be pointed out in relation to the above-mentioned development.

Firstly, the eventual accomplishment and practice of the British thought on nationalization must not be understood merely as the rise and triumph of any single doctrine. It is partly because the formation of the British thought on nationalization has been promoted by a mixed army corps consisting of the above-mentioned various doctrines, and partly because they were a varied and often dissonant army. The mixture of various doctrines reflects the pluralism of British socialism. Marxism is formed by a single individual, Marx, and his *Das Kapital* is the Holy Bible of that idea. But there is neither such a distinguished person nor an influential book in British socialism. It may be said that this has encouraged the diverse development of the British thought on nationalization. The variety and dissonancy of the army have two meanings. In the first place there were different opinions about public or common ownership among socialists, and so it was possible for A to be critical of B's common ownership or A did not reflect the values that B sought to promote. In the second place the development of socialists' advocacy of nationalization was aided and influenced by the non-socialist forces.

Secondly, the 'Webb-Morrison' line stands out as the main current among many streams of the idea of nationalization. The aforesaid six factors have exerted influence on each other. The next figure illustrates the relation between them. The Webbs' remarkable influence on the Labour Party's policy-making of nationalization is due to their position as the leading members of that party. The Cole's followers, as the left



wing, could not take the initiative. But their severe criticism of the Webbs gave much influence on their thought on nationalization, and made a great contribution to checking the bureaucratism and formalism of nationalization from the workers' standpoint. The Webbs' thought on nationalization, being partly modified under Cole's influence, was passed on to Morrison, who had much practical experience of business management or industrial administration, and grew concrete, precise and practicable enough to be equal to the test of actual practice.

Thirdly and lastly, the 'Webb-Morrison' line in the development of the ideas of nationalization could not stand outside the influence of the Great Depression in the inter-war period and they were put into practice (immediately) after the Second World War only after having their fundamental character substantially changed. They were baptized with the Keynesian theory in the last stage of the development of thought on nationalization, and entered their experimental stage with the socialist tradition weakened substantially. This is very important in relation to the basic character of the nationalized industries after the Second World War. Nationalization was the most important and fundamental object of socialism in the past, but, it has now changed to a mere means to reinforce capitalism. So the result of experiment in nationalization disappointed socialists' expectation and became unpopular. But it was this lightening of the traditional dark colour of socialism by capitalistic elements in the last stage of its development which opened the path to experiment in nationalization, the Labours' earnest wish during the past century. This can be said quite an irony of history.¹⁾

1) In concluding this series of treatises, I must express my thanks for correcting my English to Associate Professor Matsui, Doshisha University (No. 1 of these treatises), Associate Professor Anzai, Otomon Gakuin University (No. 3) and Lecturer Higashimura, Otomon Gakuin University (No. 2 and No. 4). But it is needless to say that I am ready to take the responsibility of all errors which might be found.