# SMALL SCALE ENTERPRISE
# IN THE ECONOMIC THOUGHT OF THE BRITISH LEFT

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## I

> "In an age of the small industry there was much to be said for the view that the greatest possible personal freedom was to be obtained by the least possible collective rule. The peasant on his own farm, the blacksmith at his own forge, needed only to be let alone to be allowed to follow their own individual desires as to the manner and duration of their work. But the organisation of workers into huge armies, the directing of the factory and the warehouse by skilled generals and captains which is the inevitable outcome of the machine industry and the world commerce have necessarily deprived the average workman of the direction of his own life or the management of his own work. The middle class student over whose occupation the Juggernaut Car of the Industrial Revolution has not passed finds it difficult to realise how sullenly the workman resents his exclusion from all share in the direction of the industrial world... It was this industrial autocracy that the Christian Socialists of 1850 sought to remedy by re-establishing the 'self governing workshop' of associated craftsmen; and a similar purpose still pervades the whole field of industrial philanthropy. Sometimes it takes the specious name of 'industrial partnership'; sometimes the less pretentious form of a joint stock company with one pound shares. In the country it inspires the zeal for the creation of peasant proprietorships, or the restoration of 'village industries' and behind it stalk those bogus middle class 'reforms' known as 'free land' and 'leasehold enfranchisement'. But it can scarcely be hidden from the eyes of any serious student of economic evolution that all these well meant endeavours to set back the industrial clock are, as regards any widespread result, foredoomed to failure".

This was written a hundred years ago (published in the Economic Journal of June 1891) by Sidney Webb, a co-founder of the Fabian Society, drafter of the Labour Party statement of principles in 1918, and President of the Board of Trade in the first Labour government of 1924[1]. It summarises the overwhelming view that the British left had on the size of enterprises at that time and since. Marxists and Fabians, syndicalists and guild socialists, all saw progress in terms of the growth of large scale industry. For all of them the promotion of small scale enterprise was in its current neo-liberal version an ideological device by the Tories designed to disguise the dominance of large capital, and persuade unemployed workers that the path of capital accumulation was as open for them as it was for ICI. For the left small firm realities have been equated with weak unions, low pay, and petit bourgeois individualism. Small firm policies are primarily ideological, divorced from the underlying tendency of capitalist development towards the concentration of capital.

By far the most substantial theoretical statement of this argument was made by Marx. The chapters on the labour process in Volume 1 of Capital have a distinct technological thesis. Labour productivity - which lies at the heart of the process of capital accumulation and the conquest of scarcity - is increased over the long run by the progressive socialisation of labour, that is to say by the direct organisation of labour outside the market. The capitalist labour process passes from simple co-operation, to the specialisation of manufacture, to the mechanisation of tasks through the development of modern industry. The great aggregations of fixed capital of the modern era may on the one hand displace human labour in any one process, but on the other expand the demand for aggregate labour and for the direct co-ordination of the labour to set in motion the machinery and distribute its products.

The working class is formed therefore not simply by the transition to wage labour but by the concentration of that labour in factories and cities. If it is capital that posits wage labour, it is the technological conditions for increasing productivity which constitute the working class as a collective; or, as it would later be put, mass production creates the mass worker. Marx's technological theory is at the same time a sociological theory. The mechanism for realising these tendencies was the law of value. Capitals which failed to mechanise and remained small would be disciplined through the market. If they mechanised they would grow. This was the basis for the Marxist embrace of scale, which shaped the view of the Marxist left in Britain towards industrial structure since the early 1880s, and which was taken to such lengths in practise in the Soviet Union and Eastern Europe.

What is striking is how closely the Fabians and the social democratic left shared this view. In their many attacks on Marx, his theory of the historical evolution of the labour process and modern industry is never challenged. The fire is concentrated on his theories of value and price, on immiseration and distribution, on the theory of crisis and his so called economic determinism. But his theory of production is not discussed. This is partly because Fabian theory is centred round problems of circulation: distribution, consumption and exchange; but partly, too, because - in as much as they addressed questions of production - they shared the broad outlines of Marx's theses on scale and productivity.

Let me return to Sidney Webb, or rather to Sidney and Beatrice Webb, for this partnership of husband and wife was to be so influential in the shaping of social democratic consciousness in Britain. Sidney had written of the juggernaut car of the industrial revolution and against setting the industrial clock back at the end of the 1880s, a decade of depression, of factory expansion, and of labour unrest. In 1888 there had been the celebrated matchgirls strike at Bryant and May in London. This was followed in 1889 by the strikes of dockers and gas workers which marked the beginnings of the 'new unionism' - industrial unions of semi skilled workers rather than the 'trade' unions of skilled craftspeople which had been dominant until then.

The following decade confirmed the political and economic trends of the 'modern age'. The new unionism was consolidated by the gasworkers, the Labour Representation Committee (a federation of socialist organisations to support the candidates of labour in parliamentary elections) was formed in 1900, while the growth of large scale industry quickened. In the introduction to their 1902 edition of The Problems of Modern Industry, the Webbs wrote of the "dramatic changes in the economic organisation of the civilised world... the scramble for Africa, the territorial expansion of the United States, the enormous development of individual fortunes, the 'internationalisation' of every branch of industry and, above all, the startling multiplication of syndicates, trusts and giant amalgamations". They continued as follows:

> "the advent of the Trust almost necessarily implies an improvement in industrial organisation, measured that is to say by the diminution of the efforts and the sacrifices involved in production. Just as it was a gain to the community, for the myriad small masters to be merged in the relatively few capitalist employers into great Trusts or Corporations. The Standard Oil Company and the United States Steel Corporation represent, in fact, an improvement in industrial technique. So far as their organisations prevail, the production of commodities is carried on with less labour, less friction, less waste, than it was under the arrangements which they have superseded. There may be other disadvantages, just as there were other disadvantages when the hand loom was superseded by the power loom. But we must not let the drawbacks obscure the element of real progress. The rule of the great capitalist corporations secures the organisation of the work of the world in a way which enables it to be done with a smaller expenditure of labour"[2].

This is no more than Marx's "capitalist development of the forces of production" in Fabian prose. The Webbs conclusion is that politics must refocus on the issues of democratic control of these new industrial giants, to securing the interests of labour, of consumers, and of the wider economy. If in Henry George's words Progress was accompanied by Poverty, the answer was not to turn back progress but democratise it so that poverty could be dispelled. Small firms were cloacres of sweating and the worst conditions of employment (Beatrice Webb had undertaken the most influential empirical studies of the sweated trades in the East End of London in the 1880s). Both America and England must realise that the age of the small firm nirvana had passed. Whereas at the time of Adam Smith and Jefferson "it could be taken for granted that the normal state of things was for every man to become in due course 'his own master', the advent of the Trust, the supremacy of business conducted on a large scale, the rapidly increasing concentration of nearly every kind of industry can hardly fail to drive home to the mind of the American as to that of the English citizen that each of their countries had become 'a democracy of hired men'[3].

Other Fabians who wrote about industry at this time shared this outlook. "As well attempt to meet Gatlin guns with bows and arrows, or steel cruisers armed with dynamite bombs with the little cockle shells in which Henry V's army crossed over to win the field at Agincourt as to set up single shoe makers or cotton weavers against the vast industrial armies of the world of machinery" wrote William Clarke on the Industrial Basis for Socialism in the First Fabian Essays of 1889[4]. He dismissed the significance of those small firms which continued to exist in England and Europe either as a sign of economic backwardness or as the precarious refuge of the unemployed - the Victorian equivalent of today's 'informal economy'. A return to the era of individualism, of fair trade, a British yeomanry, a rustic three acres and a cow, were all false attempts to return to the past. Instead of "attempting to undo the work which capitalists are unconsciously doing for the people, the real reformer will rather prepare the people, educated and organised as a true industrial democracy, to take up the threads when they fall from the weak hands of a useless possessing class"[5].

Spoken with less fire, perhaps, than Marx and Engels, but the analysis was much the same, and in many ways remained so for the following sixty years. Philip Snowden, schooled in the ILP, elected a Labour MP in 1906, and Chancellor of the Exchequer in the Labour Governments of the 1920s, saw the evolution of capitalism towards the Trusts as unstoppable and a reflection of the economic advantages of a large unit of capital. 'It is no more possible to prevent the formation of the Trust than it was possible for the Luddites to prevent the adoption of machinery by the drawing of boiler plugs'. But at the same time the development of this collective method of production "has destroyed the logic of the individual ownership of the instruments of production"[6]. Stafford Cripps, one of the leaders of the Labour left in the 1930s and Chancellor of the Exchequer under Atlee in the 1940s, wrote against policies to restore rural industries during the depression on the grounds that they set back the clock of civilisation by ignoring the benefits of mass production[7]. Even G.D.H. Cole, the leading ideologist of the guild socialists, in spite of early hopes that "we shall recover the finer qualities which belong to craftsmanship and small-scale production" recognised that it was scale which was the necessary tendency in industry[8].

What marks the economic texts of the left in the interwar period is the complete absence of the debate on Americanism and Fordism which was such a feature of continental Europe. Some like Gramsci in Italy and Jakob Walcher in Germany saw Fordism as progressive; others like the German expressionists, the Marxist Ernst Bloch or Bela Belasz saw the left's unquestioning acceptance of the technological imperative of capitalism as abandoning the fields of culture and 'life feeling' to the right. It was the German right under Weimar who while embracing the aesthetic of technology opposed Americanism and the capitalist structures of circulation within which that technology was embedded. There was in short a strong debate in Germany about production, in which the great majority of the left took the Marxist line[9]. In England there was silence. The Labour Party economists - Dalton, Durbin, Gaitskill and Douglas Jay have scarcely a reference to production[10]. Marxists like John Strachey, or the Communist scientists like Bernal, may refer to production but only in the technical terms of the development of the forces of production in the spirit of the third international..

The focus of the left economic debate in Britain was elsewhere. It was on how - given the necessary tendencies of production - democratic control could be exercised over capitalism in its monopoly phase. There was near unanimity that a key step was the social ownership of production and distribution. Indeed the moderate Hugh Dalton (another's of Atlee's post war Chancellors) as late as 1935 defined socialism in terms of ownership: "we may measure the degree in which any particular community is Socialist by the relative extent of the 'socialised sector' and of the 'private sector'"[11]. There was similar agreement on the need for planning as an answer to the anarchy of the market and unemployment, and for redistribution. The arguments took place around whether these policies could be achieved without a revolution, whether the democratic control of the economy should be exercised through the state, through the unions or through guilds, and if by the state what form the administration by the state should take. In sum the economic problematics of both right and left were those of ownership, control and the sphere of circulation, to the exclusion of the qualitative and political issues of the immediate process of production. Since firm size was seen as largely technically determined, and since capitalist technology was following a unidirectional path, the question of firm size and industrial structure was raised solely in terms of monopoly, and hence in terms of the need for social ownership.

Between 1945 and 1951 the Atlee government carried through many of the reforms for which the labour movement had argued since its foundation. They nationalised the basic utilities, coal, steel, and the Bank of England. They introduced a national health service and extended many areas of the welfare state. For a time they operated a system of central economic planning, with allocation of raw materials, the exercise of direct controls over industries like construction, and over industrial location. As Crossman remarked later, Labour's defeat in 1951 came as something of a relief since they had plundered their policy cupboard and needed time to rethink.

From that time on we may notice two changes. First the Keynesian wing of the Labour Party - both through its original proponents in the thirties, Jay, Gaitskill and Dalton - and through its younger recruits sought, from the early fifties onwards, to shift the emphasis of economic policy away from nationalisation and central planning to the indirect management of the economy. Keynesian macro policy and government regulations (as employed during the war and the immediate post war period) were seen to give considerable control over private firms. The large, centralised Morrisonian corporations which had been set up to administer the nationalised industries were in place but hardly the embodiment of socialism. In the words of the most articulate architect of the new line Tony Crosland (a protegè of Dalton's and President of the Board of Trade in the 1960s) "while control over the private sector ... exceeded expectations, control over the public sector fell short of them"[12].

This sentence is from his influential book The Future of Socialism, published in 1956, where he questions the inevitable tendency to scale. "It is not that the technical economies of scale are in dispute, but that doubts have arisen as to whether these may not be offset by diseconomies in other spheres such as labour morale,... or managerial responsibility and control".[13] He was probing the old assumption that capitalism would inevitably tend to monopoly, particularly with increasing international competition, and at the same time pointed to the danger of public monopoly. He saw efficiency as having little to do with ownership since managers would be in charge in both cases. Rather it was the structure within which they operated - the existence of competition and the macro economic framework - which was crucial.

This approach opened out the possibility that smaller firms might not be relics of nineteenth century capitalism living on borrowed time. Douglas Jay had been one of the first to raise this possibility in 1937 when he said that a socialist economy should have scope for small, speculative industry.[14] Austen Albu, a Fabian M.P., had likewise suggested in his New Fabian Essay in 1952 that there should be scope for the starting of new small enterprises. "The opportunity must still remain open to the single small inventor to try out his idea at his own or his friend's risk" and financial help should be made publicly available to that end.[15] Crosland when President of the Board of Trade in the late 1960's, pointed out that in some industries "the advantages of great size are much less apparent, and a small efficient company is often the pace setter with its larger rivals trailing behind".[16]

But for all these writers the small firms remained the exception. The technical economies of scale were not in dispute. The agnosticism on size, and the possibility of competitive small firms having a longer term economic role was raised primarily against the left's arguments for nationalisation, rather than on the basis of any substantial re-assessment of the established technological paradigm. Labour's industrial policy remained focussed on rationalisation and scale. During the Wilson period in the 1960's they established the Industrial Re-Organisation Corporation to encourage mergers and restructuring. As Crosland himself points out, of the three hundred mergers examined by the Labour government between 1965 and 1969, only fourteen were referred for detailed consideration; and in only three cases did the Monopoly and Mergers Commission recommend that a merger should not be allowed to proceed.[17]

The Labour left for its part maintained its focus on the large - contesting the Croslandite view that competition plus Keynesianism were sufficient to discipline the ever stronger constellations of private economic power. The fullest statement of this case was made by Stuart Holland in his book The Socialist Challenge published in 1975. He had been a Prime Ministerial adviser in the earlier more radical period of the Wilson era of the 60's and had a major influence on Labour's industrial policy for the 1974 election. Holland recast the left's earlier economic policy around the idea of the need to control the 'meso economy' of multinational corporations through a mixture of takeovers, minority shareholdings, planning agreements and the extension of workers control.

His work had been much influenced by the experience of IRI in Italy, and like the Italians he was also aware of the small firm sector. He saw small firms as continuously disadvantaged by the power of the multinationals, serving as a periphery to their core, taking the brunt of any economic crisis, and second in the queue for any state support. But while he felt any socialist policy should correct this imbalance he also saw this micro economic sector as backward. He advocated a regionalised agency like the Italian GEPI for intervention in small and medium sized firms. Such an agency "could ensure either that the small firms were modernised and regrouped in more efficient units, or that their labour force was absorbed by the expansion of output and jobs initiated by public enterprise in the meso sector".[18] Holland was calling for a policy for the 'tens of thousands' of small firms in crisis in the micro economic sector, not least because there was always a danger of a Poujadist movement in the small firm sector against corporate taxation and wage increases in the meso economy.[19] Politically they could be either allies or enemies of the left. Economically they remained 'lagging' and in need of restructuring. Small firms in short were for the first time recognised as a subject of socialist policy, but as a constituency to be rescued rather than affirmed.

Keynesian revisionism went hand in hand with a second post war change, namely the increased internationalisation of the British economy. The Keynesians tended to be in favour of this - most evidently in their support of European integration - though Holland pointed to the contradiction in their position. While internationalisation might increase competition and limit the monopoly abuses of the large firms, it further increased the power of the firms through multinationalisation and at the same time weakened the Keynesian instruments of macro economic management without substituting any adequate international public machinery in its place.

What is clear, however, is that over the last thirty years internationalisation has shifted the axis of industrial debate away from the issue of ownership and control to one of competitivity. Harold Wilson's 'white heat of technology' of the 1960's, the Industrial Re-Organisation Corporation, and in the 80's the new institutional proposals such as the National Investment Bank increasingly came to be justified in terms of improving the competitivity of British industry rather than democratising its control. The left resisted by advocating policies of protection and exchange controls which would allow the original national project of democratisation to proceed, insulated from any undercutting through low wages from abroad. But as the British economy has been economically integrated with the rest of Europe, the policy of restoring a left Keynesian national economy in the UK has become increasingly problematic.[20] Furthermore even the left have been forced to talk of industrial policy with one eye on overseas competition in a way which was foreign to most socialist writing before 1950.

One result of this change of perspective has been to cast a fresh light on firm size. Previously the tendency towards the centralisation and concentration of capital had been taken as one part of an argument for increasing social control over the economy. Now it is looked at from the viewpoint of the competitiveness of British capital. The technological imperative remains similar in both cases, but the perspective has changed. And with that change in perspective, questions have been raised about the possible contribution of small firms to competitiveness. Anthony Crosland for example set up a commission to examine small firms in the late 1960's. It concluded inter alia that although small firms contributed less than half the major innovations between 1945 and 1970 than would have been expected by their share in employment and output, they nevertheless did play a role as initiators of ideas which were then taken up by large firms, not least because in a number of sectors they had a higher than average proportion of qualified scientists and engineers working for them.[21] As innovation came to be recognised as a key element in 'the new competition', and as unemployment rose so Austin Albu's original plea for the small firm was taken up more regularly in Labour's economic discussions. The Callaghan Government of the 70's established a Minister with explicit responsibility for small firms and gave a succession of tax cuts to small business between 1976 and 1978.

But small firms still had no more than a bit part. The main dramatis personae of Labour's industrial policy remained in theory (as in fact) the large multinationals. For the left of the party the issue was and is how to control them, for the right how to adjust the structure and functioning of the sphere of circulation in order to support the capitalist dynamic of large scale production. It is the latter which is now dominant. The pre-war emphasis on taming the giants has all but been abandoned. The tamer has been tamed.

The most immediate conclusion from a review of a century of labour's economic thought is that the size of firms has scarcely been an issue. The overwhelming view (to which the exception of the inventor only serves to prove the rule) is that small firms belong to the age of individualism, surviving on sweating and cheap labour, and in sectors not yet fully taken over by mass production. The apparent independence of their proprietors is no more than an illusion, given their dependence on large firms and the squeeze put upon them by the market. Their place is in the past not the future. For it is scale that is still the path to productivity, and it is productivity that is still the touchstone of progress - whether in the modernist vision of the development of the forces of production, or the narrower concern with national competitiveness. It is the spectre of Henry Ford rather than William Morris that still sits on the shoulder of the British left.

None of this should surprise us. The British labour movement was born in the first period of the formation of trusts and large scale production. Its industrial roots were in the aggregations of labour in mines, factories and public utilities - in the new unionism rather than the old. The extension of mass production and the mass worker in the twentieth century only strengthened this base, at the same time cutting out small firms in industry after industry. By 1930 only 30 per cent of British industrial production was carried on in firms of less than 100 workers, and by the early 1970's this figure had dropped to 18 per cent.[22] Looked at from the other end, the top 100 firms which accounted for 15 per cent manufacturing output in 1910, and 20 per cent in 1930, by 1970 had reach 46 per cent and has continued to rise since then.[23]

Thus the economic trends confirm the analysis of the left on industrial concentration, and the focus of policy on large firms. At the same time politically the Labour Party and the Communist Party have continued to be rooted in the labour of large scale industry. The weakness of small firms, and the early industrialisation and concentration of agriculture left only a narrow strata of small employers and the self employed who for the most part have been abandoned politically to the parties of the centre and the right. This is a cultural as much as a political fact. The culture of British labour has been moulded by its contest with large scale managerial capital. The recent decline of its industrial base has been compensated for by the growth of public sector workers who are similarly defined against the private sector on the one hand and their own state managements on the other. The Labour Party is still distinguished by its lack of connection with any parts of industrial, financial or commercial capital. Politically it has not been in the position of many of the left movements in the third world, of having to ally with fractions of capital - national against comprador, industrial against finance, small against large. It is against this background that the British left's treatment of firm size and industrial strategy must be read.

## II

I have until now presented the dominant currents, which for both left and right have reached an impasse; for the left because of the political and economic difficulties of re-nationalising the economy, and for the right because the project of making British industry competitive has no evident socialist content. Instead of reinforcing each other, principle is locked against practise, and there seems no way up the mountain. At such moments, it is sometimes helpful to approach the mountain from another side, and I want to do this by following two submerged currents in British labour history, both of which are a rich source of experience even if they have remained underground streams in left theories about technological tendencies and industrial structure.

The first of these is the cooperative movement. Its origins were in the days of 'competitive capitalism' - in Robert Owen's cooperative communities in the 1820's and 30's, and then from 1844 the Rochdale Pioneers and the retailer movement. Between 1860 and 1890 there was a vigorous debate within the cooperative movement between producer and consumer cooperatives which - partly through their own better relative performance, and partly through Beatrice Webb's theoretical arguments - the consumers won. While the producer cooperatives remained marginal - there were 73 co-partnerships registered in 1914 with a turnover of £1.4 million, - consumer cooperation flourished. In 1914 they had a turnover of £74 million. By 1958 they reached £1 billion, with 918 retail societies, 12.6 million members and members share capital of £251 million. They accounted for 6 per cent of all

British clothing retailing, 7 per cent of furnishings, hardware and electrical, 8 per cent of chemists goods, 13 per cent of meat, 16 per cent of bread and flour, 22 per cent of groceries and provisions, and 38 per cent of milk. There were two large cooperative wholesale societies, a cooperative insurance company, a cooperative bank (with 163 thousand account holders in 1958 and a current account turnover of £5 billion, upto £13.3 billion by 1968), and a building society with nearly 1 million members by 1968. The Cooperative Commonwealth, as its members described it, was founded primarily on its services in the sphere of circulation, though in the late 1950's the wholesale society (the CWS) had over 200 factories, with a turnover of £143 million, and total employment in all its departments of 52,000.[24]

This is an astonishing material achievement. But although the Cooperative movement is affiliated to the Labour Party, sponsors its own M.P.'s, has the right of representation at every local Labour Party in the country, it has remained marginalised in the economic thinking of the Left.[25] The Webbs supported it as representing the consumer interest - a building block in the democratic wall around large capital. But later theory and policy saw it as marginal to industrial problems even though - as we now recognise - industrial fortunes are so closely intertwined and dependent on the structures of distribution. In Britain retailing has become one of the commanding heights of many sectors of production - groceries, footwear, and furniture, for example. The co-op still plays a significant role in all of them and has the potential to shape the supplying industries. In a sense the retailers have become the planning ministries in these sectors, yet their significance has never been acknowledged as such.

What is important about the cooperative movement from the viewpoint of firm size is that it has established a system - centred on the wholesaling societies - which allows a plethora of smaller enterprises to exist, in retailing as in production, while at the same time being linked together to achieve scale economies where they are needed to compete against the private distribution giants. In the last thirty years the co-ops have lost considerable ground as capitalist distribution has itself been transformed. Many of the retail societies have amalgamated, and the factories closed down. But the co-op retains an exceptional record for its conditions of employment, its training programme, and its insistence on viewing shop work as a career, and it still accounts for 7 per cent of retail trade, and runs the 6th largest retail bank in Britain.[26]

A second hidden tributary is municipal enterprise. From the late 1880's local authorities used their power as purchasers of materials and services as a means of ensuring proper wages and conditions among the suppliers, while at the same time moving into direct production themselves. In 1894 Sidney Webb gave a paper to the British Association called The Economics of Direct Employment which argued that it was an iron tendency in capitalism to bring the production of supplies 'in house' because of the costs and problems attached to purchasing from an independent contractor. He cited examples from capitalist industry, then showed how the Direct Works Department of London County Council had achieved remarkable savings and how the same principle had been applied successfully to cleaning, and repairing streets, removing refuse, produce gas, supply water and so on. Such direct works were undertaken by many councils - Liverpool, Manchester, even conservative Birmingham - and became known as municipal socialism.[27]

The expansion of local authority direct employment continued for nearly a century. It was seen as a direct contrast to small firm employment, providing better wages and conditions and higher quality and lower prices for the goods and services in question. Indeed it was the local equivalent of the national policy, in this case taking what was for the most part small firm production into the public sector. Yet there were differences. The argument for socialisation was not usually one of monopoly, though in - house production did avoid the dangers of local cartels. Nor did the local authority promise to operate with higher technical economies of scale. Rather the main purpose of socialisation was the tendency for private competition to bear down on labour, reduce quality and raise price. It was problems in markets rather than production which were the prime argument for municipalisation,. The local councils remained as operators of what was effectively a conglomerate of small departmental enterprises.

With de-industrialisation and rising unemployment in the 1980's, many local authorities turned towards intervention in the private market directly. While some sought to support small local firms through subsidised premises, business advice centres and the financing of training schemes, others sought to apply left labour industrial policy at the local level. Five of them set up enterprise boards - named after the National Enterprise Board established by Tony Benn - which were in effect local development banks. The Board of the West Midlands Metropolitan Council geared its strategy to providing low interest finance to medium size firms, and became involved in a range of rescues and turnarounds, particularly in the foundry sector. The Lancashire Enterprise Board had a wide ranging portfolio including docks, a trawler and fish processing factories. The West Yorkshire Enterprise Board financed a buy out of Leyland Trucks. The Greater London Enterprise Board, by the time of the abolition of the GLC in 1986, had financed 200 companies, with equity held in some thirty of them.[28]

These and other local authority initiatives in the economic field immediately raised the question of firm size. Should local Labour councils support the type of firms which had for a century been castigated for paying low wages, weakening unions, and being technologically backward? In the West Midlands the answer was clearly no. Their industrial structure, while having its share of multinational investment, was traditionally based around industrial engineering districts of small and medium sized firms, and it was the latter who were seen as having an economic future if they were not starved of low interest long term finance.

In London, which also has a relatively larger proportion of small and medium firms than the country as a whole, the policy was even clearer. The GLC produced an early strategy paper in 1983 explicitly attacking small firm policies and GLEB's first Chief Executive resigned because of the GLC's refusal to underwrite a programme which gave priority to small firms. Small firms, the GLC argued, were in general less productive and contributed less re-investable surplus than large firms. Their contribution to new employment creation was greatly exaggerated, and was specific to a small number of service sectors. They were less significant than large firms in new product development, and should be seen rather as the cushion onto which large firms displaced the costs of fluctuations and risk. The GLC evidence and argument were in line with the long standing labour tradition.[29]

What consequences did this have in practise? First the GLC sought to limit employment losses in large firms. It pointed out that British Telecom's London employment was more than 2/3rds the size of all employment in London manufacturing firms with less than 25 workers, and accordingly developed strategies towards British Telecoms and other large public employers (energy, health, transport, broadcasting). It set up an early warning unit to advise on potential job losses particularly in multinational firms, and not only sought to negotiate with those who were thought to be cutting back, but worked with other councils in Britain and on the continent, and with unions, in order to put pressure on such firms as Kodak, Philips, Ford, and Unilever.[30] One recent outcome of these kind of policies among left councils was the establishment of consortia of councils to develop strategies for particular industries which would then be canvassed directly with the firms, the unions and the national government. Such consortia have been established for the motor industry and clothing, and one is currently being discussed for aerospace.

But such strategies towards large firms did not address the policies to be followed by the Enterprise Board. It was soon recognised that even a Board of London's size (it had finances of some £30 million a year) could do little to help turnarounds in branch plants closed by multinationals. The plants lacked the necessary technology, marketing and financial expertise and the two experiments which were tried in the early eighties were not a success for this reason. One factory of this sort was kept open after an early warning and subsequent negotiations with the management, but for the most part it was rapidly realised that GLEB, like the West Midlands Enterprise Board, would have to be confined to medium size firms. Accordingly its guidelines specified that investment could only be undertaken in firms with more than 20 workers, and the most significant investments were made in firms of between 20 and 150 workers.

In spite of the theory, GLEB was dealing with firms which on some definitions would not even have been classed as medium sized. From the three years of its full operation a number of conclusions can be drawn:

i) that it is most effective for a Board of this kind to try and influence sectors as a whole, actively, than wait for individual firms to approach it. GLEB and the GLC undertook a range of detailed sector studies, which formed the context within which their investments were judged.

ii) some of these sectors had a substantial presence of small firms, which were often clearly more than just a buffer for the large ones. The reproduction furniture sector for example, was largely made up of small firms, but lacked some of the interfirm facilities which were required for exports and technical advance.

iii) in some such sectors, the key requirement was investment in distribution, investment which might involve only a small numbers of employees. For example, the alternative video sector required, according to the executive responsible, one person and a van; the alternative music sector needed investment in computers in one its leading wholesalers, the health food sector needed investment to establish a London wholesaler. The point was that the firm size guideline was inadequate the moment the sector was looked at as a whole: an investment at one point of the chain would affect employment at many parts of the chain, and it was this 'system effect' which was important not the size of the particular operation in which the investment was made.

iv) GLEB's technology division, which had set up technology networks to stimulate new types of technology, was regularly faced with venture capital requests from concerns with only one or two people. These were the 'risky ventures' - who faced required rates of return from commercial Venture Capital houses of 50-80 per cent, and for whose support by GLEB there was clearly an argument. One indeed, which was backed, as a spin off from a leading electronics company, eventually made GLEB many millions of pounds as well as providing employment in the hard hit East End of London.

v) there had been pressure for GLEB to support both co-ops and black businesses. Most of these had less than 20 employees, and had in fact been exempted from the GLEB guideline on minimum size. This was a political rather than economic accommodation, and the black business policy was particularly controversial as some argued that the GLC's support for black people would be far more substantial in the form of aid to black people in unions and to black employment in large firms rather than to the creation of a black petit bourgeoisie through GLEB.

vi) a number of GLEB's larger scale projects had been restructured according to the traditional left paradigm: through mergers, extending mass production principles, increasing fixed investment, replacing family owners with professional managers and so on. In both the clothing and the furniture sector it was found that such restructuring did not guarantee success. Rather like other British mass producers, their firms were outcompeted by much smaller firms and firms organised in ways which appeared distinct from mass production. It was through such projects that GLEB and the GLC first came into contact with the industrial districts of the Third Italy, and began to take on board the lessons of those districts. Thus their property division worked to create updated property for small scale furniture makers in Hackney in north London, their sector strategy division worked with the reproduction sector of the furniture industry and the mass production sector to create common services, both on overseas marketing and design. When the GLC was abolished, a project was under way in West London to establish a food park, to gather in one place a variety of industries concerned with food processing. There were also plans for a music 'industrial district' - and one such has now been initiated by Sheffield City Council. From this perspective it was recognised that it was not firm size but the group of firms which was significant. The role of a development bank was as much to bring such firms together to discuss a common strategy as to provide capital - the finance was the easy part.

vii) These experiences also drew out a lesson from the Third Italy which was at first not so immediately apparent. This is the importance of a common culture and a sense of trust. The small firm sector in London was - on GLEB's evidence at least - notably lacking in a sense of morality and common purpose. Encouraged by a national climate which emphasised the private as against the public, and which put a premium on individual accumulation with the devil taking the hindmost, many of the private firms who approached GLEB needed to be dealt with using a long spoon (a number indeed were turned over to the police). Again and again there was a striking contrast between the clear ethics of the public sector and the shark infested sea of the private. I put this strongly since it stands in contrast to the relations I have later observed within the private sector, and between the private and public sectors in parts of Italy.

viii) GLEB responded both to particular industries - like reproduction furniture - and to particular political pressures - for health food, and ethnic minority food for example, or for the alternative cultural industries. In the latter cases the pressure came from those who argued that particular social interests were uncatered for through the mass market, and public support should therefore be given to ensure 'diversity'. Once in these sectors, however, GLEB found them to be among the fastest growing: the demand for ethnic minority and health foods were the two leading growth areas in food processing for instance. In some cases the growth of specialist markets was due to the increasing inequality in the UK and the US - linked to the Thatcher-Reagan policies - and it was clear from the small firm property projects that developed at this time that there was a strong take up from enterprises geared to luxury markets. But in other cases it was the result of 'massification' reducing choice. For example GLEB financed a 'real ale' brewery, part of a consumer movement that was successfully resisting the standardisation of beer by the larger brewers. These were all lessons in the significance of niche markets - ones that were not necessarily luxury ones - and which required appropriate production systems to meet them.

The overall picture then is considerably more subtle than that contained in the original strategy. The points made in the original strategy were fully upheld.. The GLC's own experience reinforced a picture of poor, casualised condition of work and pay in small firms, particularly for women . The evidence came through the Council's own independent property programme, through its work on the results of the privatisation of public services in London, and finally through a major survey of poverty in London, conducted by Professor Peter Townsend which inter alia surveyed working conditions from the employee end.[31] Furthermore there was nothing to change the original view against those small firm policies which fostered small firms as disembodied category. This was the policy of Mrs Thatcher and the main employers organisations. In most cases help to one firm meant someone else would lose out, since such help provided no expansion of the market, nor did it serve to raise the productivity of the industry as a whole. One job created meant another job lost. Encouraging more entrants to the small firm market did nothing to improve the overall employment situation, rather diverting attention from the main causes of London's economic crisis.

GLEB had found however that there were significant ways in which a public body could intervene in the small and medium firm sector without being subject to these criticisms. First, it required that all firms receiving its support should be open to union organisation, should develop new forms of industrial relations with their workforces (through enterprise planning) and should adopt equal opportunities policies in their employment practises. Not all firms carried these requirements out, but a substantial number of them did, and the publicity given to these policies (supported by similar pressure on suppliers by the GLC's purchasing department) undoubtedly had a significant effect on London industry, large and small, not least in encouraging trade unions at a time when they were under political and economic siege.

Second, it discovered that there was a notable lack of institutions, public or private, which could play a part in sectoral restructuring and coordination, and that investments in often quite small enterprises might have an important overall effect for the sector or sub sector in question. More commonly the necessary investments were much larger, and needed either more funds for the Board than a regional government could give, or central government support. But even then the investment itself was always in single branch enterprises rather than multinational firms. Many of the sectors in which GLEB was involved had a multinational presence within them, but there was also a small and medium size industry which was far from a mere periphery for the larger firms (food, footwear, clothing, software, would all be examples, though not motor components).

Third, there was potential for mini industrial districts, which had not been realised - indeed a number were being undermined by economic conditions and the explosion of London property prices as the result of the growth of finance and business service. Property, training and education for a local labour force, common facilities, and self regulation (with respect to quality for example) were all areas clearly open to public policy intervention. GLEB did support a centre for real services for the North London clothing industry, partly inspired by the Carpi model, though in London's case it was not in the long run successful, I suspect because such sectors need to be under the clients' finance and control.

Fourth - and this was perhaps the most important lesson of all - GLEB realised that the old technological model that had been the undisputed spine of the British left's economic thinking no longer held in an unambiguous form. In the sectors in which they were involved - this time including motor components - officers in both GLEB and the GLC recognised that there were technical and organisational changes taking place which dissolved some of the presuppositions and practises of Fordism. These were not such as to promise a reversal of the drive for scale - in some cases they have led to a greater scale than had been seen before. But they suggested that there might be a number of different, yet competitive paths, in some of which small and medium enterprises might play a progressive part.[32]

In many ways the experience of regional Enterprise Boards and the local authority economic departments complements that of the cooperative movement. Both have engaged in sectors which have not been at the centre of the traditional left concern - light manufacturing and distribution. Both have been forced to operate in highly competitive environments - resulting in an often acute tension between their progressive intentions and the discipline of the market. Both have developed organisational models which are quite distinct from the large scale public and private bureaucracies which have been characteristic of British industry. The question they pose is whether they have any more general significance for the left's industrial policy beyond the sector and localities which have until now concerned them.

# III

I now want to explore in more detail some of the themes of traditional left theory as they bear on firm size in the light of the cooperative and municipal experience. I will begin with scale. Can we go beyond the somewhat agnostic pluralism with which I finished the last section, that though there may be scale increases, there are still avenues open for small and medium firms? Such a pluralism is certainly empirically justified. There are many industries in which large and small firms coexist not as core and periphery but as competitive systems of production. How can we explain this? Is it temporary? Are the large firms preoccupied with taking over new broad international territories, leaving spaces for small firms to which the large will turn once they have reached their global frontiers?

Cooperative and municipal experience suggests we distinguish between plant size, firm size and system size. In many industries plant size has been stable or declining, in part as a result of new technologies bringing down the technical economies of scale. At the same time the process of industrial concentration and multinationalisation has continued. One reason for this is the need to amortise research and development expenditure over a larger number of units. With discontinuous innovation of ever increasing importance in competition, and with the sums spent on such innovation continually rising, firms seek to exploit their innovations directly rather than selling the rights to do so on the market. Another reason is the existence of economies of scope and other marketing economies. The current period is one in which production is being decentralised but the control of markets centralised. A third factor is that it is system gains which have become particularly important for profitability. Management information systems are the modern equivalent of the assembly line, synchronising whole chains of production and distribution, speeding up the turnover of capital, adjusting production more rapidly and in finer detail to the movements in the market, and so on. This was Henry Ford's vision: the informatics revolution has helped to bring it about.[33]

These developments suggest that our prime concern should be on productive systems rather than firm size. For the pace and scope of technical change is highlighting the point long made by the French structuralist school that any economic system is a mixture of structure and conjuncture. Neo classical economics concentrates on conjuncture, but modern capitalist advance is centred on the transformation of productive structures. For particular advances to take place, changes are required in other parts of the system, and part of the system economies come through the coordination of such changes.

Let me give a current example, that of Japanese auto producers setting up abroad. The Japanese have developed a distinct production system, sometimes called 'Toyotaism', distinguished by just in time methods, zero defects, kaizan and so on. A condition for this to work effectively is for the assembly plants to have a reliable network of suppliers, and this presents a difficulty when the assembler move overseas. They either ship components from Japan, or encourage Japanese suppliers to move abroad with them, or undertake the schooling of host country suppliers in their new ways. They approach an overseas investment therefore as the establishment of a whole system - a programme which they recognise will take a long time to bring up to Japanese operating standards. Toyota itself is also engaged in a similar national strategy in Japan to industrialise construction - a strategy which has to take into account that a house has six times more components than a car, that it requires the standardisation of many of these components, and the development of specialist suppliers.

Once the structures are established, including the means for systemic coordination, then particular processes can be decentralised - to sub contractors, franchisees, joint ventures - in short to a constellation of juridically independent firms. We have recently witnessed a double movement in the organisation of capital - to larger and more integrated productive systems on the one hand - a process of centralisation - and greater autonomy for component units on the other - a process of decentralisation. The prime economic power lies with the former. The autonomy of the latter is strictly bounded.

I am suggesting that the drive for systemic control and coordination is an important element in the continuing multinationalisation of capital. In some sectors indeed - retailing and fast food would be examples - the expansion of firms is a replication of systems. As a director of Burton's clothing retail chain once put it - 'we are effectively mass producing a retail system - its appearance, lay out, goods and means of distribution'. Similarly when Macdonalds opens in Moscow it is not so much the formula of their hamburgers, or the Coca Cola essence which is the key - but the formula of organisation.

The indications are that the size of these systems is increasing. In this sense Marx was right in forseeing an increase in the direct socialisation of labour. But his argument needs to be modified when it comes to firm size and the market, for the size of the system is not synonymous with the size of firm. A system may contain many firms and these may be related by the market - often in the form of long term contractual agreements. What we find in many sector however is that there are a small number of core firms who are dominant within the system.

The general point I am making has long been clear to members of the cooperative movement - indeed it was the basis of their vision of a cooperative commonwealth - a closed economic system in which the parts were cooperatives and the links between them either direct or contractual. For the municipal socialists of the 1980's, the general point emerged from a blend of experiences: partly from the enterprise boards being involved with firms which were sub contractors in much wider systems, particularly in sectors faced with retailer dominance; partly through their engagement with multinationals whose strategies were centred on developing such international systems; and partly because the authorities themselves found themselves responsible for organising systems - notably transport - which were threatened with privatisation and systemic fragmentation. It is one of the less discussed aspects of privatisation that in the basic utilities the nature of the technology has required the government to attempt to establish a publicly controlled or regulated system within which privatisation can then take place. In these industries Labour's original nationalisation set up a single enterprise to organise system restructuring. The enterprise size and the system size were one. Privatisation has broken open this congruence.

It is one thing to be aware of these distinctions. It is another to develop adequate policies of democratic control. Clearly the priority is to control the system, and that may mean the key firm. But there are two problems. First once the system is established - a road based system of transport for example - it may be very expensive to change it. The key question then becomes one of democratising the process of the design of systems, a process which is often being planning by firms for 10-20 years in the future. We should recognise that firms are determining the way whole structures of consumption, production, location and indeed culture will be shaped, and have in addition great political power to use against anyone who seeks to challenge them. The issue of control needs to be posed therefore not so much in terms of formal ownership of a given set of assets, but the democratisation of the direction of systemic change. This is the front line of economic democracy.

The second problem is that the developing of large, private, internationalised productive systems has moved far ahead of any equivalent internationalisation of political instruments of control. This poses problems far beyond those envisaged by the early socialists. For to nationalise Ford in Britain for example, would be to take over a set of factories devoid of economic content - dependent as they are on Ford's overseas components and their overseas markets. The nation state is far from finished as an economic unit, but it is certainly dwarfed by the power of multinational capital.

One direction for policy is to try and internationalise control - through the unions for example, or the EEC, or through the United Nations or OECD. These are all necessary avenues, although the experience of the last 20 years suggests that the EEC, the UN and the OECD are all bodies where the public is much weaker than the private voice as far as democratising the economy is concerned.

An alternative response is to alter the question. Until now the left has assumed that firm size will grow for reasons of technology, and that multinationals are a further staging post in the long journey to Marx's socialised world economy. I believe this is actually happening, but the danger is that theory confirms the empirical rather than challenging it. Should the key theoretical question not rather be: can technology and the economic systems in which they are embedded be made smaller without major productivity loss? Can the systems in short be decomposed? It is the greens rather than socialists who have raised this question, not least because they consider it impossible to exercise democratic control over large scale multinational economies. Size from this viewpoint has political as well as administrative diseconomies - a point not accepted by the Fordist tradition of socialism.

Fired by this question the greens have been re-reading the economic map. They have been quick to identify the alternative paths of technology - the electric arc furnaces, the regional generating stations, the specialist chemical plants, and so on. They have pointed to the environmental cost of transport - not adequately reflected in the private balance sheets of capital - consequent upon the ever increasing international division of labour. They have urged the political advantages of making environmental costs tangible - as in the German green policy of requiring each region to be responsible for its own waste disposal and thus face the environmental costs of its methods of production and consumption. They have re-inserted politics and culture into the heart of economics rather than keeping them in separate (and ultimately subordinate) boxes. In doing so they have declared war on scale.

Is this no more than a modern Proudhonianism, a quasi anarchism in modern dress? It has been attacked as such. The retreat from scale it is suggested will drive up prices and thus lower the standard of living of the poor. The equation with price has always been one of mass productions deep foundations of support. One green response is that the trade off is worth it: the price may be higher, but the planet will live. But we need to nag away at the harder problem - is the price of the smaller scale necessarily higher? Put another way, has mass production and now systemic production conquered because of its productivity, or are there other political, institutional and cultural reasons for its continued advance?

There is evidence that all three of these 'non economic' factors have been much more important than has been previously recognised, and that a socialist economic policy must address questions of advertising, the control of the cultural industries, and the support of what we might call 'democratic strategic capacity' just as urgently as it deals with sectoral rationalisation. I want to register this point rather than expand on it. Instead I will focus on a narrower question - namely the extent to which the advance of mass production depends on a particular economy of information which could in principle be matched by smaller scale systems.

Firms expand because they are a privileged information system. Take retailers, for example, they know how to run a retail system. They have a large range of known and trusted suppliers. They are known by consumers, both for product quality and for making restitution if something goes wrong. Within such firms information passes more freely than between them (there is an informational cost of market distance just as there is of geographic distance), and this allows a large firm to have access to a greater quantity of information about the external world than an aggregation of small firms. Indeed it is one of the reasons given for multinationalisation that firms want to be in a rival's home market for informational purposes. There are transaction costs in the circulation of information, though the point goes further than that. Finally the large firm has a planned information system - permitting economies of coordination and control.

Can smaller systems match the information economies of the larger firms? I will merely raise a number of possibilities. First the Japanese have shown how organisations can economise on information by creating sub systems with relatively little information flows outside themselves. For instance one Japanese management is reputed to have removed computers from the shop floor of an American joint venture plant since they regarded the production information carried on the computers as more properly remaining on the shop floor. Their policy of decentralisation of control implies decentralisation of information.

Secondly, one of the recognitions of post Fordist management structures is that there are diseconomies in closed information systems. Both Japanese and German large firms are encouraging suppliers to have more extensive horizontal links. They are likely to pick up information not available to the main firm. They will react to it in different ways. It may generate innovations from which the original dominant firm will gain indirectly. Fordist management was based on closed centralised information systems. Post Fordist managements have decentralised their organisations and opened them out. It is as if the boundaries between one firm and the rest of the economy are made of a membrane through which external information only passed at key points controlled by central management. Now post Fordist managers want to encourage an informational osmosis over the whole area of the membrane. Closed systems can be prisons.

Thirdly, some of the informational economies of size could be gained through proximity - this is one advantage of industrial districts. Or they can be gained through collective provision. For example small firms in an industry have often developed a common brand name, and a system of internal quality control to go with it. It is also open to them to share marketing information, finance a strategic planning unit, or a technology search facility. Many of the real service centres in Italy offer informational services of this kind. The Steinbeis Foundation in Baden Wuerrtemberg is also instructive since their task is to link public technological capacity in universities with industrial need. One of the lessons of the

Steinbeis case - as from less successful examples elsewhere - is that there are particular 'social relations of information' - it is not just a technical matter.

What this suggests is that large firms have diseconomies as well as economies of information. Some of them are reorganising themselves as if they were a collection of small firms with common services provided by a head office. Groups of smaller firms can in principle match some of these economies through joint provision, and some can be publicly provided.

I have taken information as one element of scale economy. We need to explore further its relation to institutional size, and then ask what institutional and technical developments are necessary to open out these economies to smaller enterprises. The same procedure should be adopted with other elements of the economy of size. This is a second area of importance for a new socialist industrial policy.

It bears thirdly on the question of regional economies. These too are recognised as having particular advantages - of cultural cohesiveness and collective brio as well as the communication advantages of proximity. They have particular possibilities of establishing effective systems of inter sectoral coordination: in transport for example, or the labour market, or the operation of city centres. These have by and large been much more weakly organised than corporate economies, but the potential systemic gains are substantial - as can again be seen from some of the small and medium sized Italian towns. This is an area of particular interest to local and regional councils in the UK: a group of local authorities in the South East of England have been undertaking a series of studies from the point of view of strengthening local economies. One interesting innovation has been a town card, which operates like a plastic cheque card, providing privileged access to public and private facilities in a particular town. It is a means of information, of payment, and of the integration of a local economy, and as such has elements of a local money.[34]

One way of looking at these local economies is that they may be the economic size of a large firm, but organised in market separated fragments (the local authorities themselves are usually major local employers, the GLC and its associated education authority being responsible for 175,000 employees). The grain of production organisation has tended to be vertical along sectors: but there is a horizontal local grain of both economic and cultural importance. The food industry is a good example of the point, for farms, small factories, shops and restaurants can all be bound into a local food economy that has competitive strength in the markets for food and for tourists. Compare France with its local cheeses and wines with mass produced Britain - the latter's food industry wracked with scandals arising from its mass production methods - salmonella'd eggs, mad cow disease, irradicated meat and so on. There is now a movement in Britain to develop the institutions necessary to strengthen the horizontal links necessary for regional food economies on the French model - non market mortar in the cooperative transition.

## IV

## Conclusions

Events over the last ten years are forcing the British left to reappraise industrial policy and within that industrial structure and control. First there has been a sharp deindustrialisation and a reduction of 25% in the size of the industrial working class. This not only changes the political base of the labour movement - not least when opinion surveys indicate substantial blue collar support for Mrs. Thatcher's policies - but also demands that industrial policy be extended towards the growing service industries, a point made by the women's movement against Labour's pre-occupation with manufacturing.

Furthermore, the monetarist attack on British industry has had the effect of lowering the water level and exposing a whole number of faults beneath the plimsoll line. In industry we have found that Britain's lack of competitiveness has not been labour costs - they are now the lowest of the core countries in Western Europe - nor the lack of rationalisation as suggested by the mass production model. As the Americans have realised in sector after sector, neither factory size nor firm size are sufficient to ensure competitiveness against European and Far Eastern industries organised on a neo Fordist and post Fordist basis. The successful industries in Japan, Germany, Italy and even Denmark have been built round coordinated systems of production, involving networks of large, medium and small firms, with active public intervention and a long standing cultural cohesion in the districts and industries concerned. This is a point which has been recognised by the local Enterprise Boards, it calls for an analysis of British declining industrial performance that goes beyond issues of circulation - the lack of long term finance, and a macro economy geared to the needs of financial rather than industrial capital - to take on board changes in the process of production and distribution itself. If the average size of firm in the British shoe industry is more than six times the size of that in Italy, how is it that Italy exports more than the total output of the declining industries of Britain, France and West Germany combined? There is a question for economists of the left, whether they come from the traditions of Marx or the Fabians.

Secondly, Mrs. Thatcher's gathering attack on the state and those areas of public ownership which were the fruits of the first 50 years of the Labour Party in Britain has revealed flaws in the old model of state enterprise. Take electricity, for example, which is currently being privatised. The very process of privatisation has shown up the costs of nuclear power, long championed by the centralised electricity board (as it has been by the centralised boards in France and the Soviet Union), and at the same time broken up the centralised structures of the old regime. One likely consequence of the latter is that this more decentralised structure will open the industry to innovations and more locally oriented conservation strategies pursued by continental countries like Denmark and Germany. Again it has been British local authorities which have identified the economic and environmental advantages of these conservation strategies over the generating board's drive for scale. Similar paradoxes have resulted from other privatisation. Not that the reversion of these industries to private hands and to the discipline of the market has not already recreated many of the original evils that it was the task of public ownership to overcome. Rather they have shown up problems in both central government and local authority forms of organisation. Centralised public Fordism has many of the disadvantages of centralised private Fordism as an administrative regime, so while social ownership may be a necessary condition for the effective operation of these industries, it is clearly not a sufficient one.

Thirdly, as Stuart Holland has insisted, the internationalisation of the British economy has increasingly circumscribed national industrial policy - whether of nationalisation or the Keynesian insulation and management of a national economy. The ability of mobile capital to set place against place had introduced a new form of inter state competition for the attraction of that capital, and is rightly seen as corrosive to progressive attempts to democratise industry or control its location. Thus the process of liberalisation in Europe poses the question of competitively both for industry and for particular places. One answer had been to try and restore the national economic space; another to press for the controls to be exercised at the European level. Between these two visions lies a present conjuncture where multinational capital is dominant and the levers of Labour's old economic perspective are weak.

Fourthly, over the last 12 months we have witnessed the collapse of the main alternative structure to capitalism, the centrally planned economies of Eastern Europe and the South. Though European social democracy - and increasingly its communist movements - gained their identity in part through a repudiation of these post revolutionary regimes, in Britain at least the economic models of East and West were surprisingly similar. The Soviet economy was centred round a vision of Fordism taken to extremes - with all the features we noted in the pre war British left: scale in production, central planning, and a commitment to large centralised hierarchical bureaucracies. It was no accident that the Webbs were so impressed with the Soviet model when they visited the Soviet Union in the 1930's. Their model has more than a little in common with that of Stalin.[35]

The collapse of that model therefore cannot but be a further blow to the assumptions long held by the British left. Not only is capitalist development more complex than a simple drive towards large scale, but large scale public organisation has itself proved problematic. As socialist giantism retreats in Eastern Europe, capitalist giantism is taking its place. The danger is that without an urgent reassessment of the forms and theory of the alternative socialist project, the labour movement will be left only with a weakened counter culture.

It is not usual on the left in Britain to approach such a re-appraisal through the question of small firms. Schumarcher did so - a former Marxist and manager at the National Coal Board - but "Small is Beautiful" appealed to liberals and greens rather than to the left. As I indicated earlier, small firms in Britain have theoretically and politically been in the non socialist camp, and considered with suspicion. To be asked to consider the left's economic thought from the viewpoint of firm size has therefore been helpful, not least by leading the discussion back to the two subterranean streams - the cooperative movement and the municipalities.

The danger of making firm size the focus is that it leads to a fetishism of form. Its value is that by going behind form, it raises the question of technological and organisational alternatives to public and private Fordism. When these questions are examined in the context of cooperative and municipal experience - with their particular sense of sector and of place - what we see is that the pillars of traditional socialist policy - social ownership, central planning, and redistribution are partial, intellectual short cuts to the problem of an alternative to capitalism's dynamic international advance. Such an alternative must be rooted in production and - in an age when machinofacture is giving way to systemofacture - this means that at the heart of socialist economic policy must be a challenge to the scale, technology and structures of the emergent productive systems.

Notes

1. It is reprinted in Problems of Modern Industry by Sidney and Beatrice Webb, Longmans, 1902 edition.

2. Ibid. Introduction.

3. Ibid p.vi-vii.

4. ed. George Bernard Shaw, Fabian Essays in Socialism, London 1889, Dolphin doubleday edition, p.91.

5. Ibid. p.130.

6. Philip Snowden, Socialism and Syndicalism, Collins 1913, pp.106 and 128.

7. Stafford Cripps, Why This Socialism, Gollancz, 1934.

8. G.D.H. Cole, Chaos and Order in Industry, Methuen 1920 p.41. Twenty years later there was not even a nostalgic glance back at the small enterprise in Cole's writing. "The choice today is no longer between competition and monopoly, except in the narrowing field in which the small business still holds its own. Moreover, even in this field the monopolist gains increasing control. The 'independent' firm must buy most of its raw and half finished materials from the monopolists, at prices which they dictate. The smaller dealer is in the hands of the big wholesaler and the suppliers of 'proprietary articles'. Even though the number of small businesses remains very large, their real independence steadily diminishes; and, apart from the control exercised over them by the great producing and dealing concerns, they depend on the bankers - themselves a close ring of large scale dealers in money - for the credits without which most of them cannot carry on business at all. The choice is not between competition and monopoly, but between monopoly capitalism and socialism" from: A Plan for a Democratic Britain, Labour Book Service 1939.

9. Jeffrey Herf, Reactionary Modernism, Cambridge 1984 provides an illuminating discussion of the German debate.

10. The emphasis of social democratic economists on the problems of circulation and ownership rather than production comes out clearly from a recent book by Evan Durbin's daughter, Elizabeth Durbin, New Jerusalems: the Labour Party and the Economics of Democratic Socialism, Routledge, and Kegan Paul, 1985; see also my paper "New Directions in Municipal Socialism" in ed. B.Pimlott, Fabian Essays in Socialist Thought Heinemann, 1984, which contrasts the productionist issues raised by the English municipal socialism of the 1980s with the early circulationism of the Fabians.

11. Hugh Dalton, Practical Socialism for Britain, Routledge 1935 p.27.

12. C.A.R. Crosland, The Future of Socialism, 1956, revised edition Cape 1964, p.316. Crosland's close links to Dalton are described in Ben Pimlott's biography, Hugh Dalton, Cape 1985, pp.624 sq.

13. Crosland op.cit. p.319.

14. Douglas Jay, The Socialist Case, Faber and Faber 1937. "It is essential that there should be a speculative sector, as it were, of the national economy, where the riskier types of entrepreneurs are perpetually trying out new ideas, testing potential demands, and generally tapping all the unsuspected ways in which demand and supply can be brought together. For many of the greatest industries grow out of such beginnings." p.334.

15. Austen Albu's essay 'Industrial' in New Fabian Essays, edited by Richard Crossman, Turnstile Press, 1952, p.139.

16. Anthony Crosland, Socialism Now, Cape, 1974, p.235.

17. Ibid p.235.

18. Stuart Holland, The Socialist Challenge, Quartet, 1975, p.202. See also p.180 for a diagram showing the need for a policy to pull the lagging firms in the micro economic sector into modernisation.

19. Ibid, p.397.

20. For a recent version of left labour economic policy see: N. Costello, J. Michie, and S. Milne, Beyond the Casino Economy, Verso 1989.

21. The Bolton Report of the Committee Enquiry on Small Firms, Command 4811, was published by HMSO in 1971; see in particular Professor Chris Freeman's Research Report on Innovation submitted to the enquiry. Later in the decade Harold Wilson, after ceasing to be Prime Minister, chaired a committee on British financial institutions which considered the issues of small firms. See: The Wilson Committee, Report of the Committee to Review the Functioning of Financial Institutions, HMSO, 1979, and in particular Research Report no 3 "Studies of Small Firms' Financing". On Bolton and the small firm arguments see Al Rainnie, Industrial Relations in Small Firms, Routledge, 1989.

22. Alan Bollard, "Technology, Economic Change and Small Firms", Lloyds Bank Review, January 1983.

23. Stuart Holland, op.cit. p.50.

24. The official co-op history is by Arnold Bonner, British Cooperation, published by the Cooperative Union, revised edition 1970. Beatrice Webb's influential early work was written before her marriage when she was Beatrice Potter, The Cooperative Movement in Great Britain, Allen and Unwin, 1891. She argued that producer cooperatives were still producers for

profit, and therefore still capitalist, unlike the consumer coops who sought to cut the effective cost of goods by redistributing the profits to its members through a dividend. There are many histories of particular co-ops. One which is particularly informative historically is the history of the London Co-op, W. Henry Brown A Century of London Cooperation, published by the education committee of the London Cooperative Society, 1928.

25. During Tony Benn's brief term as Minister of Industry, 1974-5, the Labour Government encouraged the formation of a number of large scale producer co-ops, and most of the local enterprise boards of the 1980's have given cooperatives a priority in their investment criteria. But the trade union movement has remained suspicious of them, seeing them as a threat to firms paying union rates, and eroders of union solidarity. On the recent experience of producer co-ops see PA Management Consultants, Workers Cooperatives, Past, Present and Future, 1985.

26. For a recent assessment of the co-op see Greater London Council Economic Strategy Group Papers, The Co-op, London 1983.

27. Webb's lecture appeared in edited form as Fabian Tract no 84, and was republished in R.C.K. Ensor (ed.) Modern Socialism, Harper and Brothers, 1910. This collection also contains a vigorous defense of Municipal Socialism in London by one of the dockers leaders in 1889, John Burns, member of the London County Council, later M.P. and President of the Local Government Board in the Liberal cabinet of 1905.

28. For a summary of this experience see Stephen Marks, Local Enterprise Boards, Centre for Local Economic Strategies, Alperton House, St. Mary's Parsonage, Manchester M3 2WJ, 1987.

29. Greater London Council, Economic Policy Group, Strategy Document no 4, Small Firms and the London Industrial Strategy, May 1983.

30. There is a description of some of this work in a Taste of Power, (ed.) M. Mackintosh and H. Wainwright, Verso 1987. See also the GLC's Ford Report, the result of a public enquiry into Ford, 1986.

31. For the survey results see: Ellen Leopold, Ute Kowarzik, and David Waite, Inequality at Work in London's Small Firms, London Strategic Policy Unit, 1987.

32. The fullest statement of the GLC and GLEB strategy is in The London Industrial Strategy, Greater London Council, 1985, particularly the Introduction. The new approaches to strategy come out most clearly in the sector studies on the Cultural Industries, Health, Furniture and Clothing. Copies of GLC publications can still be obtained from the Centre for Local Economic Strategies (see Footnote 28).

33. On issues of scale and system see Raphie Kaplinsky's work, most recently Driving Force: global restructuring of technology,

labour and investment in the automobile and components industries, Westview Press 1988, Chapters 2 and 8 (with Kurt Hoffman) and Economies of Small, Intermediate Technology Press, London, 1990. See also Carlotta Perez, "Micro electronics, Long Waves and World Structural Change: new perspectives for developing countries", World Development, vol 13, no 3, 1985.

34. The strategy documents of the South East Economic Development Strategy Association of Councils are obtainable fro, SEEDS, Daneshill House, Danestrete, Stevenage, Herts, SG1 1HN.

35. Beatrice and Sidney Webb, Soviet Communism: a new civilisation?, 2nd edition, Longmans 1937.