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# **Competition and the Corporate Society**

British Conservatives, the state and industry  
1945–1964

Nigel Harris



ECONOMIC HISTORY

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COMPETITION AND THE  
CORPORATE SOCIETY

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ECONOMIC POLICY AND PUBLIC FINANCE

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BRITISH CONSERVATIVES,  
THE STATE AND INDUSTRY

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It will be clear to many readers that the political views implicit for the most part in this work are quite different from those held by many who have contributed much valuable advice and suggestions to it. For those political views, as for the errors, the author is alone responsible.

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## Abbreviations

ABCC	Association of British Chambers of Commerce
BISF	British Iron and Steel Federation
BOAC	British Overseas Airways Corporation
Cmd.	Command White Papers and Committee Reports
CPC	Conservative Political Centre
CUCO	Conservatist and Unionist Central Office
<i>Debs.</i>	Parliamentary Debates (Hansard); the date of major debates and Supply Committee discussions, followed by the volume number and column number of the speech or statement cited in the text, is given. For example, 1 May 1948, 533/179, indicates the date of the citation, volume 533, column 179. Dates only are given for Committee and Report Stage readings
FBI	Federation of British Industries
GATT	General Agreement on Tariffs and Trade
HOC	House of Commons Papers
HOL <i>Debs.</i>	House of Lords debates
ICI	Imperial Chemical Industries
IDAC	Import Duties Advisory Committee (the May Committee)
MP	Member of Parliament, identified by full name at first reference, and thereafter by surname or name by which the person is commonly known
NEDC	National Economic Development Council
NIC	National Incomes Commission
NJAC	National Joint Advisory Council
NUCUA	National Union of Conservative and Unionist Associations

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OEEC	Organization for European Economic Co-operation
NUM	National Union of Manufacturers
PEP	Political and Economic Planning
RHA	Road Haulage Association
TUC	Trade Union Congress

## Introduction

The British Conservative party has been one of the most successful political parties in modern history. Despite the minority interests which it has embodied during its career, its political and electoral appeal has been significant enough to secure it the government of Britain for a far longer period than any of its rivals. Even more, it has been able to escape the institutional or political rigidities which led to the destruction of those European parties most closely comparable to it. Despite major changes in British society, major threats from rivals apparently better able to champion popular interests, the Conservative phoenix has always hitherto been reborn from the ashes of defeat.

The success of the Conservatives is partly – but only partly – related to their beliefs about British society and their characteristic responses to the problems faced by successive British governments. The beliefs of Conservatives are in part derived from what they see as the past record of success or failure in coping with the challenges to their survival. This account of Conservatism in this century, and particularly since the Second World War, is accordingly also an account of what Conservatives saw as problems in the evolution of British society. In particular, the problems of the British economy and of British industry were of primary importance. Here, attention is devoted to describing Conservative responses and locating them in terms of British society, rather than in assessing the validity or merit of Conservative ideas.

It might be argued that it makes little sense to identify a peculiar ‘Conservative’ response to the economic problems of Britain; for both major political parties have usually presented very similar statements of policy, and pursued in office almost



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identical courses of action. If ideology were no more than a summation of policies proposed or executed, then it would be reasonable to say that Britain has been governed for much of its modern history by one ideological party, and that the Conservatives, as one of the two factions within it, have no peculiar ideology of their own. There is some merit in this argument, although the two parties – Liberal and Conservative or Labour and Conservative – are not strictly symmetrical. Yet many of the basic assumptions of Conservatives are no more than the assumptions of British public life, and radical though the rhetoric may be, its rivals have not very often or for very long been able to escape imbibing many of those assumptions. On the other hand, an examination of Conservative beliefs does provide us with one view of the opinions of those who traditionally command British society, showing the doubts and conflicts that have arisen in response to a given range of problems. The value of the exercise is not lessened by the fact that the political rival competing with the Conservatives for power often had no radically different proposals to make.

One of the proudest Conservative claims is that their party embodies all that is most characteristically British – or English; that there is something called a 'British way of life' which is peculiar and valuable, and which the Conservatives conserve. Conservative historians seek to portray the past in terms of some continuous tradition, protected and enhanced by the Conservative party and its predecessor, the Tory party. The claim to continuity is itself a political belief, for what it is which is continuous, has to be established. In so far as the Britain of the 1780s is similar to the Britain of the 1970s there are obvious 'continuities'. But Conservative historians want also to say that, for example, the way in which the Tories in the eighteenth or early nineteenth century viewed the State and wanted to use it to regulate or shape the economy is the same as or similar to the view held by modern Conservatives. Yet to make this comparison is to ignore the assumptions upon which Tory and contemporary estimates of the role of the State were and are based. In an agrarian society, governed by an established and landed aristocracy both directly – through its

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ownership of land – and indirectly – through a monopoly of leading public offices – the State was only imperfectly distinguished from ‘society’. Indeed, just as the aristocracy was seen as the embodiment of all wisdom, so its instrument, the State, was seen as society in its moral guise.<sup>1</sup> But the State today is pre-eminently the Government, and its complex of public agencies; and as often as not, they are seen by Conservatives as inimical to the full expression of popular freedom. Tolerating or even extending the public sector can hardly be compared to the Tory conception of the mystically unified British State. Similar comments are appropriate in relationship to Conservative attempts to compare the idea of an organic society in the writings of Burke and modern conceptions of collectivism, or the idea of an aristocracy in the eighteenth century and modern Conservative views of leadership. Out of historical context, we are left with little more than a play on words, or truisms. What is continuous in the history of the Conservatives has to be established rather than assumed, for in locating the real continuities we begin more clearly to understand the role of the party in British society.

To understand the role of the Conservatives the behaviour, rather than the rhetoric, is peculiarly vital in this case. For Conservatives pre-eminently defend the existing nature of society, without necessarily being able to identify unequivocally what the essence of the present *status quo* is. They have no ‘theory’ of the *status quo*, no detailed analysis of present society which indicates what it is that should be defended. What they defend at any given moment of time depends on what is being attacked rather than any prior assumptions. Yet the way in which they defend things, their behaviour, itself indicates certain priorities, and from these one can, as it were, construct an hypothetical theory, the theory Conservatives – or at least some of them – would have if they needed one. The ‘at least some of them’ is important also. For the Conservative party has always been a coalition of interests, and, as such, has had to have a leadership capable of reconciling contradictory groups. The aura of Conservatism must remain ambiguous, for intellectual clarity – that is, the clear expression of one set of interests before all others – is the enemy of co-operation between

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diverse groups. The Conservatives only rarely need a theory of society; and they are often positively opposed to theorization because it jeopardizes the collaboration of what could be hostile groups. Some Conservatives in the 1930s favoured the nationalization of the coal industry; some favoured the State forcing cartelization on the industry; yet others were mine owners who regarded nationalization and cartelization – unless they were to inherit the control of the cartel – as more or less disguised forms of Bolshevism. The survival of Conservatism depended upon blurring these distinctions, on not permitting them to come into open conflict.

The rhetoric often embodies the driftwood of a rich and complex history. Few Conservatives probably know the ships from which the driftwood came, the incidents in which the slogans were important. But the terminology is evocative of high events and noble aspiration. The Conservatives, once they freed themselves from a specific Tory identification with the squires of England, sought to make themselves the political voice of the elite groups of British society. Since industrial Britain was in a process of almost continuous change, different elite groups struggled to positions of pre-eminence, while others declined. To make itself the voice of the new was a precondition of Conservative survival. Yet also the Conservatives had, at least for a time, to carry the old. The rhetoric encouraged the loyalty of the old, and was an induction rite for the new. To survive, the party had itself to change. The most traditional party had to be, within certain very definite limits, the most opportunistic. Tory men and Whig measures were not an accident of Disraeli's youth; they were a precondition for a Conservative party in conditions of continuous social change. Disraeli himself has few rivals in Conservative history who understood this more clearly.

The rhetoric, however, confuses a clear identification of Conservatism. It includes contradictory elements, the product of past groups with contradictory aims. And it provides no guide whatsoever to understanding, let alone predicting, Conservative behaviour. Much of it is 'non-operational': it has, despite occasional appearances to the contrary, no implications for Conservative practice. And indeed this is hardly surprising.

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A Conservative party seeks to conserve what is, and is impelled to innovate only in order to conserve. It follows that Conservatives normally cannot pursue aims which are radically in conflict with the maintenance of existing society. The ideals expressed by Conservatives are either a summation of what they feel already exists, or they are appropriate to some past phase of Conservative history, or they are simply decorative. The ideals are not related in any necessary way with the continuous changes introduced by successive Conservative administrations. For example, the aim of achieving a 'property-owning democracy' was voiced by Conservatives from the early 1920s. After the Second World War, the slogan was adopted by the party leadership. Yet no single practical action was undertaken by any Conservative administration to pursue unequivocally this general end. Measures there were to increase ownership (for example, housing), but it was never clear that the increases in ownership at all offset the relative concentration of ownership in fewer hands. The measures in any case were undertaken for specific immediate reasons – like a housing shortage, or the pressure of the Conservative party rank-and-file – rather than in pursuit of a long-term end. The trends in ownership seemed to be in the opposite direction, yet this did not appear to worry Conservatives. In the last analysis, some Conservatives suggested that the 'property-owning democracy' already existed or was almost realized. The phrase came to justify current society; it was idealized description, rather than aspiration. The ideal became lost in the real as soon as the radical attack which had prompted the formulation of the ideal faded. The ambivalence between the ideal and the real is important, for it is the ambivalence of a party which simultaneously defends the *status quo*, and yet must foster or accept changes in the *status quo* in order to survive.

Yet the changes which Conservatism had to absorb in order to survive were not random ones. A party of the ruling class reflects in its composition and beliefs the great changes in society as a whole. For the Tories and Conservatives, there were two major phases of transition, which transformed both the party and British society. The first – the transition from a predominantly agricultural society, governed in the main by

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the owners of land, the aristocracy, with assistance from merchants, bankers, and traders, to a society primarily engaged in urban industrial activities and governed by an entrepreneurial 'middle class' – was obviously much the more dramatic and radical change. From the middle years of Burke to the middle years of Disraeli, Tories grappled with the implications of the transition. Toryism, particularly towards the end of this long period, was in disarray; contradictory purposes surfaced, breaking up the old coalition and, on its margins, creating both those dedicated to the destruction of existing society and those who were scarcely to be distinguished from the Whigs and the Liberals. Indeed, it became increasingly unclear what Toryism was, what was the *status quo* which was to be defended.

The second and lesser transition from an entrepreneurial to a bureaucratic or managerial society (in rather oversimplified terms), did not destroy the Conservative party as the first transition had destroyed the Tories. Yet between the First and the end of the Second World Wars, Conservatism went through a major crisis, the crisis of British – and indeed, world – capitalism. Conservatives were in disarray. The prescriptions for change increasingly diverged from what formerly had been seen as the essence of Conservatism. Out of the flux emerged something different, something still committed to the defence of the *status quo*, but a rather different *status quo*. The working out of this process is the concern of this book.

Between transitions, Conservatives established a firm accommodation to the new *status quo*. It was an accommodation which included an implicit philosophy, an ethics, a code of politics and administration. Conservative history became a microcosm of British public history as seen from the position of the ruler. And the picture of the ideal ruler changed accordingly between phases, from the world of the Landed Interest to that of the Victorian entrepreneur, and to that of the modern corporate manager or owner. For the squire of the eighteenth century, the land was the nation, and ownership of land was the most important single qualification for the leadership of society. For the entrepreneur, his leadership depended not upon land, but upon his ability to secure an increase in output from limited resources, upon his constant drive to minimize

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costs and maximize output, on his 'flair', his 'risk-taking', his 'enterprise' (a term which came to describe the system within which entrepreneurs operated). But for the managerial businessman – in public or private corporations – his claim to authority rests not upon his ability to gamble or even to work hard, but upon his claimed expertise, his training, education and experience (so that seniority is important), attributes which presuppose not a jungle in which the pioneer, if given enough freedom, can cut out a clearing for himself, but settled and established hierarchies with niches appropriate to the organization man. The attributes of the ideal leader change in each period, from a stress on culture and leisure, on wisdom acquired in meditative communion with soil and season; to an emphasis on the qualities required to survive in conditions of rapid social change, on the autonomy of 'the individual' who is his own absolute guide, needs no external authority to shape his actions, and who can, out of anarchy, win triumph for the greatest number; to focus on the talents required of those working in large organizations, whose status is explicitly defined in detail within a clearly delineated hierarchy of authority.

In practice, each view was never unequivocally accepted in its respective phase of British history. There were large organizations and hierarchies under entrepreneurial capitalism; small businesses continue today. Each of the stable phases had its own conflicts, and in part, some of these conflicts were reflected within the Conservative party. Yet these were not conflicts simply over details. They implied wider disagreements. The language of ordinary politics does not provide a terminology accurate or specific enough to identify these wider disagreements. Yet for our purposes they must be identified. 'Conservative' is too blunt a term to characterize the different strands of party opinion, particularly in time of crisis when the implicit divergences became explicit and so linked with much wider conflicts. Throughout this account, a series of related dichotomies recur – freedom and order, competitive and functional or co-operative industrial organization, individualism and collectivism, conflict and harmony. The first term in each pair can quite directly be related to the core of the nineteenth-century Liberal position, and in particular to the

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concept of a free competitive market. The second term in each pair cannot be related, with anything like the same ease, to an explicit theory of society and political economy, except if we step outside Britain and consider views developed by other European groups on the Right. This is a legitimate procedure once we see the common process of change affecting all advanced industrial countries in the inter-war years. The problems which created confusion and anxiety among Conservatives in Britain in the 1920s and 1930s were derived from sources which afflicted other industrialized countries, and promoted very similar responses. The responses were usually in direct conflict with the prescriptions of Liberalism.

In this account, the contrast to Liberal thought is identified as corporatism. But even this identification does not accurately capture at least two major separate emphases. On the one hand, radicals saw the State as the main agency for the functional reorganization of society, and stressed the forced expansion of the economy; on the other, many businessmen argued that they themselves should be in charge of the creation or maintenance of the 'corporate society' and were more interested in conserving what they had than forcing expansion. Here these two separate emphases are identified as '*étatiste* corporatism' and 'pluralist corporatism'. The precise content of these terms and their implications will be explored at greater length later in this book.

The framing of terms in this way gives a misleading clarity to what, in practice, is much less clear. Most of the individual members of the Conservative party were consistently neither Liberals nor corporatists; on different occasions, they proposed measures consistent with one or the other major viewpoint, without being necessarily aware of their own inconsistency. Inconsistency it was, for the prescriptions of each position were mutually exclusive and muddle was a method which could achieve the worst of each alternative. The same conflicts arose in other industrialized countries, and the same confusion of purpose produced similar criticisms. The measures associated with the National Industrial Recovery Act in the United States prompted the comment that: 'Such a program might be logically inconsistent and economically harmful. Perhaps, as

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one critic suggested at the time, it combined the worst features of both worlds, "an impairment of the efficiency of the competitive system without the compensating benefits of rationalized collective action".<sup>2</sup>

In the inter-war period contradictory responses can be seen with the greatest clarity, but even after the Second World War, the same questions recurred in a different form. The evolution of the industrial structure, the problems generated by the disentanglement of the British economy from its imperial possessions and from a peculiar world economic role, the dual threats of external rivalry and internal challenge, sustained a basic context for Conservative action which entailed the repetition of the same themes as before. The prosperity of the post-war years made the more general questions seem less important, and the coalition character of the Conservative party inhibited serious discussion of what kind of society was being created in Britain. Yet what had been considered on occasions at a general level before the war became more and more important for the detail of policy after the war.

The account which follows tries to describe and explain the changes in Conservative economic thought in the post-war years up to 1964. The scene is set in an introductory study of Conservative thought before 1945, starting with an account of what is called Liberal-Conservatism in the last years of the nineteenth century. This account suggests that the dominant political ideas of the Conservative party up to 1948 continued the main Conservative emphases of the 1930s. But between 1948 and the late 1950s, the party became increasingly influenced by a recreation of certain elements of economic Liberalism. From the late 1950s, the party swung back to a selection of some of the ideas it had abandoned in 1948. The changes were not simply changes in Conservative ideas, but were, rather, broad changes in British political opinion. The changes were as evident – although on a different time scale and with different results – in the drawn-out reappraisal carried out by the Labour leadership as they were in the Conservative party. Of the complex economic, social and political relationships which men identify as the structure of society, certain areas were most decisive for the reappraisal: the State, public



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ownership, the relationship of government and business to organized labour, and of government to business. Neither party was unequivocal in its attitude, and indeed, neither could in general be unequivocal without taking into account many other circumstances. For the British economy, the international economic scene laid down external priorities which heavily determined the options available to the British Government. However, there were options, and discrimination between them was possible. The absolute pragmatist and the absolute diehard are the inventions of people who are neither, for neither can exist. The pragmatist may choose to conceal his priorities (or, indeed, he may not be aware of his priorities); the diehard behaves in ways and circumstances which inevitably reveal a flexibility not present in his rhetoric (and he may also be unaware of his flexibility). The terms are the stuff of political abuse, rather than categories of analysis. The Conservatives had a limited range of pragmatism with certain, usually unspecified, priorities. The book that follows is an attempt to identify those priorities.

PART I

The Background

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## I

# Liberal-Conservatism

After the repeal of the Corn Laws (1846), the Conservative party was constructed out of the debris of the Tory party. The creation of Conservatism was the result of two related processes: the absorption of Liberal ideas by the aristocratic leaders of the party, and the movement towards a more limited version of Liberalism by increasing numbers of businessmen. The marriage created Liberal-Conservatism.

The role of Disraeli in preparing the ground for this somewhat unlikely evolution can hardly be overestimated.<sup>1</sup> He led the embattled squires of England in their last defensive action against the rise of industrial middle-class power, and then, with consummate opportunism, joined the victors and set about making the new Conservative party an accommodating home for the 'oligarchy of capital'.<sup>2</sup> Having fought one battle to retain protection for the Tories – to retain a tariff on corn imports – he became a defender of free trade.

Disraeli was not alone. No member of the traditional Church of England gentry himself, there were members who followed, tolerated and even encouraged his lead; who abandoned the class of their youth and embraced their old enemies. It was Lord Derby as unchallenged leader of the party who protected Disraeli and eased the continued reform of the party. In 1848 he reintroduced the word so hated by older Tories, 'Conservative'. And his 1849 programme made only marginal concessions to agriculture, the landed interest, to compensate for the abandonment of protection. However, he was a moderate, and restrained Disraeli's demand that free trade be made a party plank (Disraeli's first budget was cheered by the Opposition).

Yet the party could not just wait. It needed a social basis to

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replace the declining landed interest. Given the Liberal party's monopoly of the middle-class vote, only the lower-middle class remained as new recruiting ground for the Conservatives.<sup>3</sup> The Tories had opposed the 1832 reform and most other attempts to broaden the suffrage, yet now Derby – urged on by Disraeli – began to move towards further reform. Derby's second ministry fell attempting constitutional reform, and his third, despite much opposition within the party, accomplished it. Just before that achievement, the *Quarterly Review*, on behalf of the opposition within the party, promised that 'the Conservatives would forfeit every shred of title to the name which they assume, if they tamper one moment with democracy'.<sup>4</sup>

Lord Salisbury, very definitely an aristocrat, came to play a role not dissimilar to that of Derby. He had opposed the 1867 Reform Bill and resigned from the Derby ministry in protest. But the experience tempered his politics with pessimism and a belief that the trends he witnessed were inevitable.<sup>5</sup> He came to accept that the industrial middle classes should consolidate their power, at least within British political life if not necessarily within the Conservative party itself. His language displayed the terminology of individualism; his views embraced free trade and domestic *laissez-faire*. He even came to accept the desirability of further extensions of the suffrage; he co-operated with the Liberals over reform in 1884.<sup>6</sup>

Disraeli had retained in his programme a stress on the use of the State for an extension of specific popular welfare facilities. This element, derived, it was said, from a Tory tradition, briefly differentiated the two parties, since the Liberals, at least in principle, argued that State welfare provisions circumscribed the freedom of the individual, his ability to help himself. Later in the century, the roles of the two parties tended to become reversed, with the Liberals moving towards advocating State welfare facilities (like the Conservatives earlier, in search of a popular social basis for the party) and Conservatives opposing. By then, the Conservatives were recruiting formerly Liberal businessmen.

In office, Salisbury formally pledged his party to Disraelian welfare aims. But in practice, he devoted himself – as Disraeli had done – to foreign and imperial affairs, and his commitment

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to welfare was in fact both lukewarm and qualified by a Liberal emphasis on the virtues of self-help – the aid of the State was applied, he said, to encourage independence and thrift. As he grew older, the businessmen who had previously provided a basis for radical Liberalism grew more concerned at the dangers of reform, and, like Salisbury himself, more conservative. The ‘classes’ that supported the Conservatives, Salisbury advised Lord Randolph Churchill, did not welcome innovation; Conservative legislation must accordingly be conducted ‘at less speed, and a lower temperature than our opponents. Our Bills must be tentative, cautious, not sweeping and democratic.’<sup>7</sup> Unlike Disraeli, Salisbury accepted that the Liberals were, and would continue to be, more popular and more radical.

Salisbury’s views were not at all clearly differentiated from those of moderate Liberals. He accepted the measuring rod of the ‘individual’; and he accepted a changing society; incentives and self-improvement were important. Salisbury offered what was appropriate to an investing, rather than a landowning, audience: ‘confidence’, ‘non-interference’ by the State,<sup>8</sup> and no ideological eccentricities. He believed, he said, ‘there are no absolute truths or principles in politics’.<sup>9</sup> The defence of the *status quo* was the defence of property, and all property, not just land. The State, for Burke the most important pillar of Christian morality, had become for Salisbury little more than an agency to defend property, an agency which could be used by the wrong people to pillage property. As in a joint stock company, the largest shareholders should control the concern.<sup>10</sup>

During Salisbury’s long tenure as leader of the Conservative party, two important individuals offered a challenge to his definition of Conservatism: Lord Randolph Churchill, like Salisbury, an aristocrat; and Joseph Chamberlain, a businessman and the most distinguished former Liberal to cross over to the Conservatives. Both, in different ways, furthered the extension of middle-class power within the party, and further enhanced the creation of a Liberal-Conservatism.

Lord Randolph Churchill was not particularly important for Conservative government, but is significant as a legend in modern Conservatism. He was also more important within the

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party than without. For he gathered together the new and growing middle-class membership and led its attack on traditional aristocratic control of the party. In July 1884, at Sheffield, his supporters gained control of the National Union. This victory, Churchill commented, proved that 'the Tory party of today is no longer identified with that small and narrow class which is connected with the ownership of land'.<sup>11</sup> It was a sign of the times that the class defended by Burke and by Bolingbroke, the Country party, should have become 'small and narrow'.

Churchill was Conservatism's Grey, and his success, its domestic 1832. The platform created in this struggle, Tory democracy, was a combination of internal party demands and a reiteration of the Disraelian claim that Conservatism must find a popular base from which to defend the *status quo*; the cement to hold the base together was a popular welfare programme. But Churchill's Tory democracy needed a limited franchise, since – with universal suffrage – Conservatism perforce had to 'trust the people'. Democracy, for the Fourth party, denoted attention to 'the people', rather than control by the ruled. It did not entail action to secure universal suffrage: Churchill's programme did not include this. He opposed the Liberal reform plans of 1883 (plans Salisbury accepted). 'Tory Democracy', Churchill explained, 'is a democracy which supports the Tory party.'<sup>12</sup>

The welfare elements in his programme received more sustained attention, grouping together a variety of proposals put forward by members of the party at the time. The programme broadly followed the lines of Disraeli's *sanitas sanitatum*,<sup>13</sup> and was, Churchill said, 'a scheme of social progress and reform . . . (embracing) a social revolution which, passing by and diverting attention from wild longings for organic change', would cover elements of public health, housing standards, national insurance and public amenities.<sup>14</sup> However, the closer Churchill came to power, the more modest became his aspirations. His 1885 programme was explicitly limited, emphasizing administrative competence and measures possible in so far 'as the laws of political economy may permit'.<sup>15</sup> It was this element of Peelite efficiency which was most prominent

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in his tenure in office, and indeed he resigned over the Gladstonian issue of restraining public expenditure, rather than expanding it to encompass new public welfare responsibilities. Out of office, his demands were again more radical, and at one stage he went so far as to suggest a new national party – with Chamberlain – which might, among other things, foster social reform.

Churchill's ambivalence on reform arose partly because of the shifting significance of Conservatism. Disraeli had argued that Conservatives could survive and be popular if they promoted nationalism and popular welfare. Implicitly, Conservatism would then be supported by a wider mass of the population; explicitly, if there were more support Conservatives ought to promote the extension of the suffrage. But in fact it was the Liberal party which needed to pursue this course of action as the years of the century wore on. The Conservatives were able to lift, not the Liberal clothes (though much of those changed hands also), but many of the rank and file Liberals themselves, the business 'middle classes' who, having attained social pre-eminence, were now growing increasingly conservative. Their conservatism was strengthened both by the growth of domestic challenge – the spread of trade unions, for example – and by increasing foreign competition. Yet such men were still radical enough to respond to Churchill's brand of radicalism, directed at the 'aristocratic oligarchy' which controlled the party. Churchill's ambivalence on reform was one element in the creation of a Liberal-Conservatism, although contrary to what he believed, it was a retreat from, rather than an advance towards, Disraeli's purposes.

The monopoly of world manufacturing, which had been the basis for British free trade, and the optimism and security which went with it, was coming to an end in the last quarter of the nineteenth century. In sectors of heavy production, Germany and the United States overtook Britain in the 1890s. The effects of these changes on domestic political assumptions were far-reaching. The Liberal party, heir to the tradition of economic freedom and opposition to State intervention, began to move towards what seemed to be, by the standards of the time, extreme *étatiste* involvement in the economy and the lives



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of 'individuals'. The party of Bentham and James Mill, who had lauded the sober reasonableness of the 'middle estate', after the turn of the century adopted a radical rhetoric that seemed to differ little from the stereotype of socialism, and seemed deliberately designed to secure popular, rather than middle-class, support. The Conservatives, who claimed to adhere to a more positive conception of the State, a more consistent demand for strong authority, who claimed to defend the monarchy and constitution, nevertheless adopted a position of diehard resistance to State intervention; in Ireland sought to suspend the Army Act and foment the armed resistance of a minority to the will of the State; urged reform of the constitution to permit a referendum and sponsored a bill to limit the prerogative of the Crown. The Conservatives felt themselves to be faced by a profound challenge, a challenge that threatened the survival of their *pied noir* Anglo-Irish supporters, for example. Faced by such a challenge, much of the rhetoric was stripped from the bone. The constitution became merely another variable in a bitter struggle for power.<sup>16</sup>

For the Conservatives, the times presented two major problems. Externally, the rise of powerful economic rivals to British power rendered the past priorities of free trade less and less effective in sustaining British supremacy. At home, there were signs of a growing industrial, and then political, challenge from the working class. The external problem narrowed itself down to the question of how the traditional Liberal economic philosophy could be modified to 'safeguard' industry against foreign imports in Britain and in the Empire. The second problem was exacerbated by the Liberal appeal to popular radicalism; so that defeating the working-class challenge became defeating the Liberals, defeating their rapid divergence towards 'socialism'.

For the first problem, Tariff Reform was the euphemistic means to qualify free trade. But it also gathered up diverse other aims, which assisted in meeting the second problem. Discriminating against imports into the British Empire would give the Empire some distinct economic form, knitting the imperial territories more closely into dependence upon Britain. Second, a tariff on some imports would give British competitors not

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only a more secure home market but also a powerful bargaining counter in negotiations with foreign rivals to share markets abroad; this factor affected only some industries or activities, and others – for example, banking, cotton, shipping, merchanting, commodity dealers – consistently opposed protection.<sup>17</sup> Third, and most important for radical Conservatives, the revenue derived from tariff reform could be used to finance social reform without raising domestic taxation; and after the inflation in expenditure during the Boer War, this was a vital consideration.<sup>18</sup> The vague outline of a coherent anti-Liberal position was emerging, a social imperialism.

It was certainly not apparent to most Conservatives in the first instance that tariff reform had this significance. But a central postulate of economic Liberalism could not be amended ‘pragmatically’ without threatening the entire structure, without – at least, implicitly – creating either a contradictory viewpoint, Liberal-Conservatism, or an explicitly anti-Liberal one. If many Conservatives did not necessarily see the implications of the issue, they were certainly not unanimous in supporting tariff reform. Indeed, the external challenge did not become grave enough to force protection until long after the first discussions of tariff reform.

Joseph Chamberlain, the unlikely heir to Tory radicalism in Salisbury’s Conservative party, was ideally suited to lead the campaign for tariff reform. He was specifically from the business middle classes, and his politics unified the colourful rhetoric of imperialism, of social reform without cost, and security to harassed businessmen. His own interests were in social reform and imperialism. What is more, his ‘free-trade convictions, even . . . (in his youth) were . . . only skin-deep. . . . *Au fond*, he looked at the problem from the manufacturer’s point of view, which welcomes a tariff as an instrument of monopoly.’<sup>19</sup>

The tariff reformers campaigned hard, and, despite the electoral disaster to the party in 1906, succeeded in gaining endorsement from the conference of the National Union in 1907.<sup>20</sup> But Balfour chose to resist this pressure, for tariff reform entailed tariffs on food imports from outside the Empire. Led by the Liberals, popular opposition to taxes on foodstuffs made the demand for protection an impossible one for electoral purposes.

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So far as the Liberal programme for social reform was concerned, the Conservatives offered moderate opposition, reserving their full opposition for the financial implications. Earlier, Conservatives had proposed many of the measures now promoted by the Liberals, without raising the question of how the reforms were to be financed. The financial question – the old Liberal ‘laws of political economy’ – now determined how far the Conservatives were to be reformers. But what really evoked a major storm were the constitutional changes proposed by the Liberals to secure the passage of their reforms through the House of Lords. The controversy over Southern Ireland brought all these matters to a head, driving many Conservatives into their last ditch stand.

The end of Balfour’s leadership formally acknowledged what Tory democracy had supposedly striven for. Andrew Bonar Law, a Scottish-Canadian iron-master, replaced him as leader of the English landed party. Bonar Law, it was said, cared little for what were supposed to be the traditional concerns of the party,<sup>21</sup> including the ‘mere decline of aristocratic power’. Only two issues in British politics excited him: Ulster and tariff reform.<sup>22</sup> His view of the Constitution was almost a *realpolitik* one: it was either useful for the Conservatives or dispensable.<sup>23</sup> In general, he thought social reform an ‘unprofitable line’ to pursue,<sup>24</sup> but that the rights of property were a touchstone in political questions.<sup>25</sup>

Liberal-Conservatism stood revealed in its least attractive form. There was little mention now of the organic society nor of the responsibilities of the rich and powerful. The Individual dominated the Conservative view. And the Individual was a peculiarly upper-class person. He was endowed with ‘property’, over which his rights, as an Individual, must be supreme; the rights of the collection of Individuals, the propertied minority, were of more importance than the constitution, the State, the organic society or some British tradition.<sup>26</sup> Society owed its duty and loyalty to the propertied minority, without whom society as such would dissolve once more into barbarism. And society consisted not in other ‘Individuals’, but in the ‘masses’ who, in not having property, had no rights except those voluntarily bestowed upon them by the propertied. It seemed almost

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as if the majority were outside the nation altogether. Since property was always under threat from barbarism below, the limits of State action and of reform required more emphasis than any potential benefits. Nor was it correct to deplore the ravages of the market, and seek to ameliorate its social effects. For the market established value; it was the source of our estimates of value; it could not itself be challenged upon ethical grounds without thereby jeopardizing the nature of existing society. It was just such a view that the young Disraeli fought with such vigour as all that was worst in Liberalism: the apotheosis of the greed of the industrial middle classes.

The defence of the *status quo* in Liberal-Conservatism appeared to have become wholly negative, suggesting the narrowed room for manœuvre once the Liberals pressed ahead with social reform. The fear that social revolution was not far distant became dominant in Conservative minds.<sup>27</sup> The principles which were supposed to guide Toryism and Liberalism dissolved in a purely opportunistic defence of those who held property. It constituted hanging on, merely surviving, without attempting to shape society or convince the governed that their lot was the best that could be humanly secured. The State, formerly seen as the guarantor of property and order, now seemed to have become a direct threat to property. The constitution, it seemed, inhibited the proper defence of property, and it must therefore be changed or abandoned if 'society' was to survive. The aura of Toryism had faded in the harsh light of capitalism at high noon. The amendments to Liberalism which the Conservatives permitted made it no intellectual substitute for what had been lost. Liberal-Conservatism combined Liberal rhetoric with an opportunistic defence of property. 'Free competition', the guarantor of efficiency and prosperity in the original Liberal scheme, was becoming 'limited or fair competition', the guarantor of nothing except the rights of existing owners; egalitarian harmony was becoming inequalitarian 'equilibrium'; extending the suffrage to all individuals was becoming limiting the suffrage to exclude the dangerous masses and so protect the minority of Individuals. The phrases became convoluted with unspoken exceptions and qualifications, which in sum contradicted the original concepts.

## Capitalism: Old and New

The difficulties facing Conservatives before 1914 were only the heralds of even graver troubles. The First World War at least solved one range of problems. It temporarily beat back the challenge of external rivals, and it applied a scourge to domestic critics. But if, before the war, there were people who challenged the system, the system itself seemed sound. After the war, it seemed to be the structure itself which was crumbling, and which went on and on crumbling. There could be no satisfaction that each disaster was the last. There seemed always to be worse to come. And even if the revolutionary spirits of workers had been cowed by the magnitude of the disasters, they would not long be kept at bay if the system did indeed continue crumbling. Only a second world war offered unity of purpose and coherent direction to a stagnating society. Catastrophe offered an exit from the disasters of the transition of capitalism.

The two threats to the *status quo* – external and internal – which had plagued Liberal-Conservatism with increasing severity from the last quarter of the nineteenth century, reached a point where Conservatives were forced to undertake measures apparently in contradiction to what had seemed to be their basic assumptions. But even then the effects were only temporary or mild, for the basic problem required an international solution. The problems facing Conservatives certainly had a peculiar national form, but in one way or another they faced all industrialized countries. And the national solutions adopted by each country only tended to worsen the problems of its rivals.

Businessmen themselves attempted, both with and without the assistance of the State, to secure their own survival. But just as national successes tended to make the international

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problems more acute, so the success of one firm in stabilizing its own position tended to export its difficulties to its competitors and to the national economy. But the successes, such as they were, did slowly begin to change the shape and appearance of the economy, rendering it more and more remote from the model which had been the centrepiece of Liberal thought. The trends towards cartel organization of markets, developing on an *ad hoc* basis in certain important British industries from the 1870s, now accelerated. Production was concentrated, not through the economic logic of the market so much as the political or administrative co-ordination of competition by the competitors, through trade associations, agreements – national and international – to divide markets and share facilities. At home, the aim of such measures was to unify British producers, to create a common front to resist the encroachment of imports and wage a united attack on foreign markets.

At each stage, however, the attempt by some businessmen to control their domestic rivals was radically weakened by the continuation of tariff-free entry for foreign goods to the home market. Local producers had only a very limited incentive to accept the ‘discipline’ of industrial organization while the foreigner could scoop the home market. In such circumstances, moves towards industrial organization seemed to the smaller producers merely means by the large to eliminate their local rivals, to establish a monopoly at home. As a result, the ‘rationalization’ of British industry – what was seen as its opportunity to survive – depended upon the success of efforts to achieve protection. And the introduction of protection depended upon the State, upon convincing the government of the day to end free trade. To survive, business had to become involved in politics in a much more extensive way, had perhaps to compel the politicians to accept the high electoral price of a tax on food imports.

Yet even without involvement in the State, important long-term changes in economic structure were taking place. A range of new industries (or what for our purposes here were ‘new’), founded just before or after the turn of the century, expanded steadily throughout the inter-war period until they displaced in economic importance what had been the main industries of the

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preceding phase of the economy. Slump most severely afflicted the older industries – coal, shipbuilding, iron and steel, cotton; the disasters of those industries were the disasters of the British economy. But the newer industries – motors, electrical equipment and radio, chemicals, petro-chemicals, and synthetic materials, oil and parts of light engineering – were often already in part protected from foreign competition by patents or ‘safeguarding’ duties on infant industries. In time, important differences emerged between new and old. The new utilized a much more advanced technology, and depended much more upon systematic technological innovation. The labour force necessarily was different; it expected and received different rates of return. The units of production, after an initial stage – and sometimes even in the initial stage – tended to be much larger, a greater proportion of production was concentrated in the hands of a few producers. And related to the technological level and the concentration of production, the capital base of such industries was much greater, and grew much more rapidly. But the differences were not merely in terms of the methods of production, for the market priorities were also different. The output of the new, more sophisticated and highly priced, was increasingly suitable for sale on a large scale only in other industrialized countries. The world division of labour of the nineteenth century between relatively poor primary producers and rich manufacturers was directly threatened by the expansion of the new industries, whose orientation was increasingly towards other advanced economies, rather than to the empire or to backward countries.

The increasing size of firms in the newer industries had yet other implications. For power became increasingly vested in small groups, at first the larger shareholders (most often, the nominees of financial institutions, rather than individual owners of stock), but later also including professional managers. The power of the mass of small individual shareholders tended to decline within the firm. But it also declined in society at large; for fierce competition abroad stimulated efforts to increase the rate of domestic investment. Traditionally, Britain had been a source of funds for her competitors although this was of limited significance in the 1920s. The profit – and so the