

# **Business Values and the Labour Party**

**Labour's electoral chances are being stymied by the slur of an "anti-business" ethos. This article calls on Labour to re-think its approach to business**

The Tories regard their onslaught on Labour as "anti-business" as their trump card in the forthcoming general election. As it is aimed at arousing misgiving amongst all in the private sector, irrespective of status, and may appear more persuasive to voters than non-voters, it is a dangerous argument.

The accusation clearly reveals a chink in Labour's armour, but it is an assertion that the party in no small part has brought upon its own shoulders. Over the past 60 years Labour has narrowed the vision of its sphere of socio-economic interests until today it is little more than a reform movement concerned with public sector interests.

This is starkly illustrated by the fact that 100 years ago the most intense subject of debate at branch meetings was the nature of capitalism, whilst today the topic (and even the term) is almost taboo in most Labour circles. This is not to imply the need to revive the out-dated thinking of a century ago, but only to underline the absence of any interest in the practicalities of changing or socializing the financial-industrial system.

The onset of the narrowing vision of the Labour party is traceable to the post-1945 election, and particularly following the collapse of nationalization policies. Out of an exhausted fatalism rather than cynicism, a compromising pact was made with the financial-industrial system, that if industrialists stuck to managing the business of their own concerns then Labour would refrain from sticking its nose into business matters whilst concentrating on social reform, health, education, and other public sector issues.

This divide was furthered by the confrontational stance not only of a large part of the trades union movement, but even more by an attitude condemning capitalism in any shape or form. The assertion that any kind of capitalism was as bad as another created a blind spot that blocked the possibility for constructive change.

In such an environment the financial-industrial system became almost an "irrelevance," and no interest was shown in the technicalities of business, investment, or in trading conditions. Hence the impracticalities of a far left approach until the 1980s remained the hope of certain major trades unions, and this in turn split the Labour movement, and it was the moderates who re-confirmed the questionable pact with the financial establishment.

The change that came with the arrival of Blairism following the 1997 election only worsened an already bad situation. The pragmatic approach to politics, with the launch of so-called “New Labour,” virtually entailed suspension of new ideas as Thatcherism was maintained under another guise. From an electoral perspective the strategy was successful for several terms, but it was fatal to the integrity of the longer-term aspirations of the Labour party.

To assert that the Labour party is “anti-business” is clearly an exaggeration, but nonetheless, it is an assertion that is convincing and believed by many. It would be more true to argue that at the present time Labour has no business policy nor even a broadly theoretical framework for its management. This is not only because the Parliamentary party long ago opted out of intervening in the process of business management or contemplating reform of the financial-industrial sector, but because it would be unthinkable to revert to old-style socialist solutions with all their Marxist baggage.

There remains, however, a real need for Labour to adopt a pro-active approach to the economic mechanisms of trade and industry and their integral relationship with the broader population. The Tories, meanwhile, cannot be faulted for their lacking a socio-economic vision for the industrial management of society, even though it may be fallible and prove unworkable in the longer term. They nonetheless have their all-embracing principles by which they stand, and this gives them a special confidence on the campaign trail.

Labour, on the other hand, is severely handicapped by confining its aspirations to questions of social reform which are peripheral by comparison with other infinitely greater forces affecting the welfare of every man, woman and child in the country. It is the financial-industrial system and the diverse and complex way in which it impacts on the population that should be the centre of political life, but ideas for constructive reform in these areas are beyond the radar screen of the Labour party.

There is another and psychological factor which acts as a bar to Labour confronting the really significant forces in society, and it is traceable to the earliest origins of socialist thought. The ethic of business or moneymaking tends instinctively to arouse a feeling of disdain amongst those on the political left, although few in parliamentary politics would dare to openly express such sentiments.

As a political issue it is assumed that redistribution is the only serious purpose to be achieved, whilst the world of business is perfectly competent to look after its own interests free of outside intervention. History has clearly demonstrated that both such assumptions are wildly wrong, and by now it should be realised that even discussion between the respective rights and wrongs of privatisation versus the public sector has become an irrelevance.

If Labour is to formulate an honest pro-business ethos on which it is prepared to fight and base its reputation, it must be based on theoretical principles that ethically are well within its comfort zone. Fresh thinking is needed in

repudiating traditional pseudo-scientific ideas that have lost their credibility in the 21<sup>st</sup> century. If, for example, the labour theory of value is to have any meaning today, it is necessary to turn to the broad-based 17<sup>th</sup> century ideas of John Locke, rather than to the 19<sup>th</sup> century abstractions of Ricardo or Marx that lead to so many dead end alleyways.

Thinking and planning towards a just and equitable society must be based on the empirical evidence of the recent past, as otherwise it is beyond the bounds of practicality. Instructive lessons should be drawn from the two contrasting types of capitalism that emerged so significantly in the post-War period, viz., the Productive capitalism of the Continental countries and Far East Tigers, and the Rentier capitalism of the Anglo-American economies and many Third world territories. The eminent French economist, Michel Albert, described these respectively as the Rhine mode (in which he included the Far East Tigers) as contrasted with the Neo-American mode of capitalism.

Whilst Productive capitalism was everywhere more successful in raising living standards and serving consumer needs, as well as in more equally distributing wealth throughout their societies; Rentier capitalism was relatively less innovative and competitive, and set in place a financial system that polarised wealth in their respective nation states. It is no surprise that each form of capitalism had its different rationale for managing business: whilst the first aimed at maximising market share, or serving consumer needs, as facilitated through the deficit financing of responsible industrial investment credit banks; the second aimed at maximising shareholders profits by any possible means, as facilitated through ingenious but often questionable stock market activity.

The two systems operated side by side for 40 years in the post-War period, and then from the start of the 1990s, Rentier (or Neo-American) capitalism began to take over the economy on a worldwide scale. There were two causes for this: firstly, the ambition and sheer might of American transnational financial power; and secondly, the rise of China and other newly emerging powers engaging successfully in productive or manufacturing activity. It was against the threat of this first cause that Michel Albert published his ominous book, *Capitalism Against Capitalism*, in Paris in 1991, but it appeared too late to exert a noticeable influence.

The second cause arose from an unhealthy and self-destructive response to the competition of cheaper imports flooding into the once prosperous northern hemisphere. Instead of confronting the situation through innovation or adapting systems of productivity, or raising import controls, leaders of financial institutions and major corporations decided on the easier course of investing in the passive assets of land and property for a quicker and higher return on capital. The short-termism of this usurious approach further enriched a tiny elite at the apex of society, transformed employment patterns away from manufacturing and into the lesser-essential service industries (with their lower per person GDP

output), and worse of all, drove both public and private debt to unprecedented levels through the cost of imports.

Governments soon found themselves trapped in a vicious circle. As living standards could only supposedly be maintained by encouraging greater consumerism, debt was thereby exacerbated, and meanwhile wealth was further polarised between the super-rich and the rest of society occupying an (as yet) middling and tolerable existence. The new split in this emerging middling 90% proportion of society was not to be class against class, as occurred in the 19<sup>th</sup> and first half of the 20<sup>th</sup> centuries, but rather a generational split between the older and younger generations who could not hope to get their foot on the bottom rung of the property ladder, and who were to be saddled with life-long student and other debts.

The hyperinflation of land and property values was the inevitable outcome of a Rentier capitalism that had opted out of serious attention to productivity. Consequently, in the desperate scramble for profits, the passive assets of land and property were virtually mortgaged to foreign buyers for their increasing investment value. In this way citizens of their own countries were priced out of affordable housing; essential utilities became foreign-owned; and faceless corporations acquired even rural land for a questionable purpose, e.g., for fuel in preference to food.

Financial globalisation was accepted without question by parliamentary parties of both left and right as part of the natural order, even though it inflicted economic harm on majorities in both industrially advanced and Third world territories, albeit in quite different ways. Whilst downsizing and outsourcing, and the importation of inessential goods that could have been better produced locally, especially agricultural products, occurred in the more developed countries; Third world countries endured the consequences of cash crop projects entailing the loss of self-sustainable holdings as millions of rural inhabitants were pushed into mega-city slums as an unemployed proletariat.

If the above is a cursory analysis of the current situation, what might be the best approach of Labour towards a pro-business ethos? In view of the transformation of society over the past 60 years into a heterogeneous middle-middle majority, that through increasing employment differentiation has necessarily become highly individualistic, the remaining remnants of class-based electioneering should be ditched forever. Those from every sector of society in advanced industrial societies are sickened by the futility (and often hypocrisy) of attempts to stir up one sector of society against another, especially when the emerging economic issues of our time equally affect those across the social spectrum.

If the principles of a genuine democratic society are to be sought, then these are only to be found through empowering the *individual* (rather than the fraudulent aim of the *collective*) in the ownership and control of the means of production and distribution. This calls for changes to Company law, and the

implementation of co-determination in the workplace, and internal employee shareholder rights overriding those of external investors.

In turning the economy towards greater productivity and away from the self-destructive drive of usury, it would be necessary to dissolve conglomerates so their separate subsidiaries might gain independence as efficient productive enterprises. In enabling this their financial management would be transferred from accountants working on behalf of purely speculative investors (who may remove their assets at any time), to Bank Directors solely concerned with *specific* productivity on a commercially viable basis, paying dividends on loan capital after fulfilling the needs of desirable reinvestment and employees' salaries.

These are not theoretical abstractions but proven economic mechanisms that brought Britain to her knees in a competitive environment in the post-War period. The choice is between an industrial system serving the interests of a small financial elite, or that which serves the majority population.

The idea that in a successful economy the world of business should remain separate (or "free") from the state, as so loudly trumpeted in this country for decades, is a myth if so intended. Whilst business should not be nationalised, or subjected to old-style socialist intervention, there is the constant need of the state to give a helping hand to business. The economic success of Japan, West Germany, the Scandinavia and Benelux states, and others, could never have been maintained without a wide range of protective measures – many of them covert – that Britain was unprepared to introduce.

The greatest theoretical problem Labour has encountered in developing a pro-business ethos has surrounded the question of profit. The old argument was that productivity should be for "use" and not for "profit." Of course productivity should be for "use," and a careful reading of the above will reveal that all arguments point towards that purpose. But "profit" and how it is utilised calls for definition. As every business transaction may be assessed as either profitable or unprofitable, business should not only seek to be profitable but to maximise profits, as otherwise business becomes inattentive, lethargic, and is doomed to eventual failure.

This introduces the psychological imperative for the acquisitive or self-assertive instinct that is so loathed by those on the left, and even condemned on "moral" grounds through citations from religious texts. The answer to this response is that business should operate within a legally and morally desirable framework.

The acquisitive and self-assertive instincts are ineradicable and natural to every species on the planet. The greater truth is that we should not seek to be "holy saints" experiencing a nebulous existence, but rather human beings seeking individualistic fulfilment in a highly materialistic world. And from the ethical perspective, every underdog and criminally minded person may best turn around his life and find spiritual salvation through engaging in legitimate business acceptable to his community. Such an assertion emphasises the wisdom of Dr.

Johnson's famous quip that "There are few ways in which a man can be more innocently employed than in getting money."

Hence we cannot question that Productive profitability within an enabling interest bearing economy are the ethical foundations for a sound industrial system since the interests of all are served. Rentier profitability, or a system that has lapsed into making money out of money with no good social outcome, or speculative activity as an end in itself (casino capitalism), all of which polarises wealth in the community, is clearly unethical.

The above desired financial-industrial system, already proven through its historical success, is benignly self-correcting in many of its mechanisms. Nonetheless, the presence of the state remains essential as a monitoring and supervising agency in ensuring fairness and a proper balance between freedom and equitable conditions in seeking to maximise equality of opportunity. Taxation is clearly the first prerequisite to be included in such a category. Comprehensive health insurance facilities, free at the point of need; and a quality universal schools system for all to the age of 18; a free university education for the relevantly qualified; and a judiciary that is equitable, are other desirable requirements, as these are already enjoyed in the advanced economies of Continental Europe.

It is not suggested that the above proposals may easily be achieved by any parliamentary group, for the financial establishment is more sensitive to criticism or ideas for reform than any other set of institutions in this country. It is deeply entrenched, and quick to blackball its own who happen to fall out of line, irrespective of whether they be brokers, jobbers, venture capitalists, or others employed in the City.

The purpose of this article is to suggest the foundations for a long-term Labour pro-business ethos that is pro-actively determined and not merely passively reactive to a set of ideas. It is not enough for Labour to assent to sound principles if it is not prepared to fight for them with conviction. But the latter, of course, is dependent on sufficient interest or motivation to study the mechanisms of business; the underlying conflict between CEOs of industrial plants and their financial controllers in a distant head office; the differing modes of funding industry; the battles of innovators and engineers to overcome accountancy constraints; and the need to monitor productive versus rentier profitability in seeking to maintain a nice balance of interests.

Only then should Labour turn to the easier tasks of ensuring good industrial relationships, or better working conditions, or an increase in earnings. Not until Labour has formulated a pro-business ethos that it can call its own, and has begun to act accordingly throughout all levels and sectors of industry, can it hope to regain the confidence and idealism it enjoyed in an earlier era.

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