

# REPORT

## Ownership for All: The Liberal Party, co-ownership and industrial relations

Evening meeting, 9 July 2012, with Tudor Jones and

Andrew Gamble; chair: Chris Nicholson

Report by **David Cloke**

As I prepared this report Nick Clegg announced that he was intent on providing a distinctively Liberal Democrat view on the economy. He could do a lot worse than return to and revive the party's policies on co-ownership. Thankfully, if the opening remarks of the meeting's chair, Chris Nicholson, were anything to go by, then this is likely to be the case, given that the paper produced by the Liberal Democrat policy working group on this issue, chaired by Nicholson, is about to be debated at federal conference.

Nicholson welcomed the decision to hold a meeting on the subject, arguing that it was worth reminding people how much the concept of co-ownership was in the DNA of Liberals, from John Stuart Mill to the 'Yellow Book' of 1928 and the Liberal thinkers behind the welfare state. The policy had been revived and renewed under Jo Grimond, but the party lost focus on it in later years. Nonetheless, there had been some renewed focus on the concept in government, most notably in Nick Clegg's 'John Lewis' speech at the beginning of 2012, followed by the employee ownership summit convened by BIS minister Norman Lamb which had in turn launched the review by Graham Nuttall. This renewal of interest in co-ownership was picked up later in the meeting.

Andrew Gamble, Professor and Head of Politics and International Studies at Cambridge University, and author of the chapter on 'Liberals and the Economy' in Vernon Bogdanor's book *Liberal Party Politics* (1983), stated that his aim was to set the scene and provide the economic and political context to the party's adherence to co-ownership. He noted that the Liberals were very good at generating ideas

and had always had a pioneering role in British politics, for example over the minimum wage, tax credits or stakeholding. The most notable ideas included the Manchester School's concept of free trade and the social liberalism of Hobhouse, leading to the welfare state of Keynes and Beveridge. To have two such vibrant traditions in one party was remarkable. In more modern times these two traditions had been characterised as indicative of a split in the party, but the reality was more nuanced and complex. Gamble highlighted the key role of Grimond in developing the new liberalism of the 1950s and 1960s, and noted the market liberalism of *The Orange Book*.

Within this broad picture the Liberals have had a rather ambivalent relationship with the trades unions. For 100 years from the 1880s, however, trades unions had been a central feature of the political economy and political parties had had to come to terms with them. The rise of the trades union movement had caused contrasting feelings amongst Liberals. On the negative side were concerns about class-based politics and the political division between property-owners and the property-less, and of trades unions as a form of monopoly with the power of industrial blackmail. More positively, recognising their local roots and identities, many Liberals welcomed the unions as a form of civil association and as a countervailing power to established interests and the organisation of capital. John Stuart Mill himself had talked about the need for strong trades unions as a means of achieving a more equal distribution of wealth and power.

Gamble noted that in the late nineteenth century, the Liberals were seen as the party of the

working class, and had enjoyed a political relationship with the unions. Mill had established the Labour Representation League in 1869 to secure the election of working men to parliament, and by 1885 eleven working men, mostly miners, had been elected. Even the Labour Representation Committee had worked with the Liberals through electoral pacts, such as the one that had helped secure the election of Churchill in Dundee in 1908.

The unions themselves displayed some ambivalence about whether to seek representation through the Liberal Party or aim for separate direct representation. The key issue, Gamble argued, was the political levy, as highlighted in the Taff Vale and Osborne judgements. Osborne, a Liberal trades unionist, objected to the political levy being paid to the Labour Party. The Liberal Party in Parliament took a different view; the strategy of the leadership was to accommodate the new force, not to fight it, by extending legal immunities to trades unions, though it did not seek to extend the legal rights of trades unions. Thus Churchill as Home Secretary reversed the Osborne judgement through the Trades Union Act 1912.

Gamble argued that the period had held out tantalising possibilities: was the rise of Labour inevitable and could it have simply become an arm of the Liberal Party? He noted that in the years up to 1914 there much fighting talk from Liberals about absorbing Labour and not surrendering to it. Lloyd George had declared that: 'if a Liberal Government tackles the landlord, the brewer and the peers as they have faced the parson and tried to deliver the nation from the pernicious control of monopolies then the independent Labour Party will call in vain upon the working men of Britain to desert Liberalism that is gallantly fighting to rid the land of the wrongs that oppress those that labour in it'.

Another aspect of the period up to 1914 was rising industrial unrest. The Triple Alliance of miners, railwaymen and transport workers launched a series of syndicalist strikes beyond the control of the Labour Party, thereby creating a quite different backdrop to politics at this time. Huge numbers were

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involved – there were a million miners and 600,000 railwaymen in fifty different railway companies.

The First World War and the split in the Liberal Party meant that the division between capital and labour emerged as the main basis for political parties in the twentieth century. As a delegate to the Liberal Assembly remarked in the 1970s, the Liberal Party was stuck between – and Britain had a choice between – the party of the managers and the party of the trades unions. Since failing to prevent the emergence of Labour as the second party, the Liberals had found it difficult to deal with this new political divide and the extended state.

Nonetheless, Gamble argued that social-liberal ideas had shaped much of the post-war settlement and had been at the forefront of those arguing for growth and modernisation in the 1960s and for incomes policies in the 1970s. The 1980s, however, had seen a further shift with a revival in economic liberalism: Jo Grimond himself came to argue that the size of the public sector was itself a problem, and that the monopoly power of trades unions had to be dealt with. Such thinking was also reflected in the call by some Liberal Democrats for a reduction in the size of the state – balanced by the views of Cable and others on the role of trades unions as a countervailing force.

In summing up, Gamble argued that the Liberal tradition with regard to economic and industrial relations was one that was aware of the enormous power of markets for good as well as for ill, and as a force in decentralising power – but one that carried the risk of creating monopolies. The role of the state was, therefore, stressed as being like a public household, ensuring rights, justice and fairness in the way the market economy worked. Co-ownership was an important expansion of these Liberal values.

Dr Tudor Jones, author of *The Revival of British Liberalism* (Palgrave Macmillan, 2012), argued that co-ownership (or co-partnership, as it had been known up until about 1948) had a long history in the Liberal Party. Amongst the themes of the ‘Yellow Book’ of 1928 was the diffusion of ownership aimed at reducing the tensions between the

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By the early 1930s Elliott Dodds had become the champion of the issue; it was he who coined the term ‘ownership for all’. In the tribute written to him in 1977 by Desmond Banks and Donald Wade, they observed that Dodds’ ‘aim was not to abolish private ownership nor to acquiesce in ownership for the few but to seek to spread property throughout the community so that everybody would have the chance of owning something’. In 1938 Dodds chaired the party’s ‘Ownership for All’ committee. Its report, drafted by the economist Arthur Seldon, later co-director of the Institute of Economic Affairs, advocated the restoration of free trade, co-ownership and profit-sharing schemes throughout British industry.

Dodds went on to be the most articulate and prominent advocate of co-ownership in the 1940s and 1950s. In 1948 he chaired a committee that proposed that co-ownership be applied to all firms with more than fifty employees or more than £50,000 capital. This would involve sharing the residual profits between the shareholders and employees and encouraging employee shareholding and elected representatives for employees on the boards of directors. The report also went further than previous statements in accepting the principle that the proposals should be induced by legislation rather than rely on tax incentives.

Dodds had elaborated a justification for the policy in his book *The Defence of Man*, published in 1947. He had stated that the ultimate aim of Liberal industrial policy was ‘to make the workers co-owners with a stake in the enterprises in which they are engaged as well as an effective voice in determining the conditions under which they work ... the principle of diffusion which Liberals sought to apply with regard to property ownership permeated liberal philosophy in general economically and politically’. He also argued that widespread ownership made possible ‘the decentralisation of initiative and

risk-taking which is the essence of a healthy economy’. Politically, the wider dispersal of power, and hence of responsibility, was a necessary condition of liberal democracy. Thus, Jones argued, the operation of the principle of diffusion was interlocked, noting that Dodds himself had said that ‘political democracy will not work satisfactorily without economic democracy, and vice versa’.

In broader ideological terms Dodds had promoted the idea as an essential aspect of a distinctive Liberal conception of both economic organisation and of the wider industrial society. Co-ownership was an idea ‘as hostile to monopoly capitalism as it is to socialism since it aims to distribute instead of concentrating political as well as economic power’. Workers would become citizens of industry, not merely hirelings of private employers or of the state.

Jones argued that co-ownership helped to underline the party’s ideology and purpose when Liberalism was a declining force. It was a distinctive and unifying policy and cause when other issues, such as free trade, were becoming less relevant and more divisive. Co-ownership offered a third way between state socialism and monopoly capitalism. Indeed, in an article in 1951 in which Dodds had far-sightedly coined the phrase ‘third way’, he had specified some of the wider measures of which co-ownership was a part: devolution of government to Scotland and Wales, greater power for local government, extensions of home ownership and the decentralisation of the administration of the nationalised industries.

Jones noted that in the Grimond era, from November 1956 onwards, co-ownership continued to be a central feature. The concept was given further elaboration in *The Unservile State*, published in 1957, the first full-scale book on Liberal thought since the ‘Yellow Book’ nearly thirty years earlier. In her essay in the book, Nancy Seear outlined the four main features of co-ownership:

- 1) share by employees in the residual profits;
- 2) share in ownership through employee shareholding;
- 3) share in management through works councils; and

- 4) share in policy-making through representation at board level.

These proved to be constant views during the Grimond era. Jones added that the underlying aims of the policy were to distribute ownership widely, to contribute to a blurring of the status distinction between the two sides of industry, and to ensure that the fortunes of the company were of direct concern to everyone in it. Nathaniel Micklem, Party President 1957–58, expressed the policy in more ideological terms, declaring that: ‘Liberals aim at the abolition of the proletariat and the emancipation of workers by making property owners of them all’.

In another essay in *The Unservile State*, Peter Wiles drew attention to the changing patterns of private ownership, with a growing divorce between legal ownership and actual management, largely as a result of the wider diffusion of institutional shareholders. The revisionist Labour thinker Antony Crosland had examined this feature in *The Future of Socialism* (1956), and had welcomed it, believing that it rendered obsolete the emphasis on state ownership. Wiles, however, was more sceptical, arguing that the increase in absentee ownership meant that shareholders became unconnected with the company itself and that few exercised effective power or control, for example through the transfer of directorial control. The corporate body was, therefore, increasingly separate from its owners.

In 1959 the Liberal ‘Ownership for All’ committee, chaired by Nancy Seear, updated and extended the earlier report. Jones felt that this report was of ideological significance, as it declared that: ‘in the battle for the rights of ownership, the essential political struggle of the twentieth century, the Liberal Party stood foursquare in favour of private ownership of ownership by persons’. Liberals recognised the close relationship between property and power, arguing that this was the major reason for retaining the system of private property and not abolishing it; handing over property to the state concentrated power and threatened the foundations of a liberal society.

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Jo Grimond himself contributed to the development of the policy in *The Liberal Future* (1959), in which he endorsed the views expressed on popular ownership because of the link between property ownership and liberty – the badge of a citizen and a shield against petty tyranny. His view, Jones argued, was an empirical rather than an ideological one; co-ownership simply seemed to be the best instrument to hand. Grimond also highlighted the divorce between ownership and management, which weakened the responsibility of managers for improving efficiency and lessened the effect of decisions on owners. Grimond restated the case in *The Liberal Challenge* (1963), outlining the importance of schemes for profit-sharing. He also argued that the Labour Party’s Clause 4 debates represented a grossly simplified analysis of the ills of industrial society. For Grimond there was no one simple formula. Later, the former Liberal MP Donald Wade, in *Our Aim and Purpose* (1967) conceded that modern industry was too complex to have common means of ownership.

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In discussion, Michael Steed, perhaps following on from the views expressed by Wade, noted that the Liberal Democrats had failed to make anything of their long tradition of support for co-ownership, and wondered if this was as a result of the influx of social democrats, or the Thatcherite model of consumer ownership or, more broadly, the ‘end of ideology’, with the ending of the struggle between capitalism and socialism undermining the need for a distinctively ‘third way’, or simply the practical problem of implementing it in a fast-changing modern economy.

Andrew Gamble felt that each of the possible answers Steed had given had elements of truth in them, but the last could be the key. He also noted the work that

Michael Young had done in the 1950s to develop the stance of the Liberal Party on behalf of the consumer rather than the producer. Nonetheless, he felt that the contemporary concerns about corporate governance could offer a way forward for aspects of the concept. Tudor Jones agreed and also noted that the SDP had developed quite a few ideas on widening employee share-ownership, including the concept of a ‘Citizen’s Trust’ developed by James Meade. This had, in turn, been revived by Ashdown in his book *Citizens’ Britain*. Jones also argued that the Blair/Schroeder concept of the third way was a vulgarisation of Dodds’ thinking.

There followed a discussion of the co-operative movement and why the John Lewis model had not been followed elsewhere. Nicholson reported that Michael Meadowcroft had sent him an article by Arthur Seldon from the 1940s in which he had argued that the affiliation of the Co-operative Party to the Labour Party was a mistake. Gamble argued that historically the co-operative movement had identified itself as part of the wider Labour movement, even if it did not like the statism of Fabian socialism. John Lewis, meanwhile, had never been part of that wider movement. Jones added that, given the success of John Lewis, it was surprising that Liberal Democrats had not tried to associate themselves more closely with the model, though he noted that it was harder to reproduce in a globalised economy. It was noted that at the height of its initial success, the SDP had expressed some hope of detaching the Co-operative Party from Labour.

It was put to the meeting by another questioner that the Liberal Party had adopted quite statist policies in the 1970s, for example support for a statutory incomes policy, and he suggested that this had led the party to lose sight of the theme of co-ownership. It was also suggested that adherence to community politics had had an effect – though the chair noted that the issue was clearly incorporated in the *Theory and Practice of Community Politics*.

Gamble argued that all parties wrestled with balancing the drive for economic efficiency, which

meant large and larger scale, with local control. He felt that the co-ownership tradition could best be reflected in the constitutionalisation of the company, an issue he suggested had been relatively neglected in British politics.

On a question regarding whether the party was taking the opportunity of being in government to do more than talk to itself about the subject, the chair drew attention to the Nuttall Review on employee share ownership, published

the previous week. The policy working group that he had chaired was also seeking to refresh Liberal Democrat ideas on the subject. He noted that the working group had members from all wings of the party and, as previously, it had

proved to be very much a unifying cause, with significant areas of agreement.

## THE LIBERAL PARTY, UNIONISM AND POLITICAL CULTURE IN LATE 19TH AND EARLY 20TH CENTURY BRITAIN

A one-day seminar organised by Newman University College and the *Journal of Liberal History*  
Saturday 10th November 2012, Newman University College, Birmingham

The late 19th and early 20th centuries saw major changes in British political culture. The gradual emergence of a mass electorate informed by a popular press, debates about the role of the state in social policy, Imperial upheavals and wars all had their impact on political culture. Political parties became more professional, labour more organised, regional identities sharpened.

To accompany this turmoil, a new political party, the Liberal Unionists, was formed to oppose Gladstone's policy of Irish Home Rule, splitting the Liberal family and causing a reappraisal of what it meant to be a Unionist.

The seminar will examine some of these key changes in political culture, against the background of the formation of the Liberal Unionists and the new political alignments this brought about.

Speakers:

- **Professor Robert Colls, University of Leicester** Political culture in Britain 1884–1914 (Guest Chair: **Vernon Bogdanor, Research Professor, Institute of Contemporary British History, King's College, London**)
- **Dr Ian Cawood, Newman UC, Birmingham** The impact of the Liberal Unionists, 1886–1912
- **Dr Matthew Roberts, Sheffield Hallam University** A terrific outburst of political meteorology: by-elections and the Unionist ascendancy in late Victorian England
- **Dr James Thompson, Bristol University** The Liberal Party, Liberalism and the visual culture of British politics c.1880–1914
- **Dr Kathryn Rix, History of Parliament Trust** Professionalisation and political culture: the party agents, 1880–1914
- **Dr James Owen, History of Parliament Trust** Labour and the caucus: working-class radicalism and organised Liberalism in England

The cost of the seminar will be £20 (students and unwaged £10), including morning refreshments and buffet lunch.

To register please contact:

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