

## **REITH LECTURES 1966: The New Industrial State**

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### **Lecture 6: The Cultural Impact**

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I come now to my final lecture; and I can hardly avoid any longer the question you must be asking, which is: where does all this lead? I confess to thinking that the consequences of the present view of economic life are of some importance. And for some of these—the effect on education, urban planning, the prospect for leisure and toil, the future of the unions, the evolution of what I have called the educational and scientific estate, and the effect of fewer workers and more dons on politics, and particularly these developments in the United States—I am going to have to ask for a further postponement. I have dealt with these matters in no slight detail in a book to be published late next spring or early next summer. I tell you this not to advertise the book, for, apart from my own compelling modesty, I am advised that this is something that the BBC will never allow. I want only to protect myself from the charge that I have evaded the consequences of my own argument. Still, though I cannot be exhaustive, I do want to try to sketch some broad conclusions in this lecture.

In the latter part of the last century and the early decades of this, no subject was more discussed than the future of capitalism. Economists, men of unspecific wisdom, political philosophers, knowledgeable ecclesiastics, and of course George Bernard Shaw all contributed their personal revelation. It was agreed that the economic system was in a state of development and in time would transform itself into something hopefully better, but certainly different. Socialists drew strength from the belief that theirs was the plausible next step in the natural process of change.

The future of the modern industrial economy, by contrast, is not much discussed. The prospect for agriculture in the U.S. and in Britain is still subject to debate—it is assumed to be in a process of transition. So are the chances for the small shopkeeper or craftsman, people like that. But General Motors, Id, and Shell are an ultimate achievement. One does not wonder where he is going if he has already arrived.

Yet to suppose that the modern large industrial corporation, and the economy of which it is a part, is a terminal phenomenon, is the end of the road, is per se implausible. The large corporation is itself the product, in the last sixty years, of a vast transformation. The scale of the individual firm has grown enormously. Its managerial and technical organization have removed themselves from control by the shareholders. They have developed their own internal sources of capital. There has been a large change in the relations of the firm with its workers and a yet larger one in its relations with the state. It would be strange were such a manifestation of social dynamics to have now come to an end.

The future of the modern industrial system is not discussed partly because of the power it exercises over our belief. To engage in discussion would be to agree that it is

a transitory and hence imperfect phenomenon. We agree that unions, the churches, modern aircraft, even the universities lack absolute perfection. But the corporation has arrived.

There may be a more important reason for the absence of this discussion. For to consider the future is to fix attention on where the modern firm and the economy that it comprises already are. Among the least evocative phrases in the business lexicon are planning, government control, dependence on the state, and socialism. To consider the chance for these in the future is to bring home the extent to which these are already a fact. The government fixes prices and wages, regulates demand, supplies the decisive factor of production which is trained man-power, underwrites the technology and the markets for products of technical sophistication. In the formally planned economies of Eastern Europe, the role of the state is not startlingly different. And these grievous things have arrived, at a minimum, with the acquiescence and, at a maximum, on the demand, of private industrial enterprise itself.

### **Convergence between Two Systems**

The convergence between the two ostensibly different industrial systems, the one billed as socialism and that derived from capitalism, is a fact. And we must also assume that it is a good thing. In time, and perhaps in less time than may be imagined, it will dispose of the notion of inevitable conflict based on irreconcilable difference. This difference is still much cherished by the ideologists on both sides. To Marxists, the evolution here described, and most notably the replacement of capitalist power by that of technical organization, is still unacceptable. Marx did not foresee it and Marx, poor man, is still required by his disciples to have had the supernatural power of foreseeing everything for all time—although some alterations are allowed on occasion in what he is thought to have seen. And ideologists in the West who speak for the unbridgeable gulf that divides the free from the communist world and free enterprise from socialism are protected by a similar theology supported in many cases by a general immunity- to intellectual influences. But these positions can survive the hard evidence only for a time. Men lose their resistance when they realize that they are coming to look obsolete or retarded or old fashioned. Vanity is a greater force for intellectual modernization than we realize.

The modern planned economy requires, let me remind you once more, that the state underwrite its more sophisticated and risky technology. The weapons competition provides the rationale for much of this underwriting at the present time. The weapons competition depends, in its turn, on the notion of irreconcilable hostility based on irreconcilable difference between economic systems. Those differences, as we have seen diminish sharply on closer examination. Technology and organization contribute to homogeneity. Both must have planning. The difference as we have seen is in method.

The conclusion follows, and by no especially elaborate chain of reasoning—truth has always a certain clarity of line. The difference between economic systems, from which the assumption of hostility and conflict derive, does not survive examination. What exists is an image that serves the underwriting of technology. And, very obviously, there are other ways of underwriting technology.

To bring the weapons competition to an end will not be easy. But it contributes, I venture to think, to this goal to realize that the premises on which it rests are not real.

Private enterprise has anciently been so described because it was subordinate to the market and those in command derived their power from the ownership of private property. The modern corporation is no longer subordinate to the market; those who guide it no longer depend on ownership for their authority. They must have autonomy within a framework of goals. But this allows them to work intimately with the public bureaucracy and<sup>4</sup> indeed, to perform tasks for the bureaucracy that it cannot do, or cannot do as well, for itself. In consequence, for tasks of technical sophistication, there is a close fusion, as we have seen, of the modern industrial system with the state.

In the United States, were it not so celebrated in ideology, it would long since have been agreed that the line that now divides public from so-called private organization in military procurement, space exploration, and atomic energy is so indistinct as to be nearly imperceptible. Men move easily across the line. Those from government and corporations work constantly together. On retirement, admirals and generals and high civil servants go more or less automatically to government-related industries. And indeed one close and experienced observer has already called this the 'semi-nationalized' branch of the American economy. He also adds, in language similar to mine, that -

The market mechanism is here replaced by the administrative mechanism. For the profit share of private entrepreneurs, it substitutes the fixed fee, a payment in lieu of profits forgone, and for the independent private business unit, this part of the economy substitutes the integrated hierarchical structure of an organization composed of an agency, that is to say, a public body and its contractors.

### **Mature Corporations and the State**

Professor Weidenbaum is speaking of firms which do all, or a large share of, their business with the government. But most large firms do a substantial share of business with the state. And they are dependent on the state for the other aspects of their planning. It requires no great exercise of imagination to suppose that the mature corporation, as it develops, will eventually become a part of the larger administrative complex with the state. In time the line between the two will disappear. Men will look back in amusement at the pretence that once caused people to refer to General Electric, or Vickers, or DuPont as 'private' business.

Although this recognition will not be universally welcomed, it will be healthy. In social matters there is of course a presumption in favour of reality as opposed to myth, however convenient the myth. And if the mature corporation is recognized to be part of the state or some penumbra of the state it cannot plead its inherently private character, or its subordination to the market, as cover for the pursuit of goals of primary interest to its own guiding organization. It can be expected to accept public goals—in matters of aesthetics, health, working conditions and hours, social tranquillity—that are not inconsistent of course with its survival. The public bureaucracy has an unquestioned tendency to pursue its own goals and reflect its own

interest and convenience. The difference is that it cannot plead this as a right. We now have planning.

It is private planning. And it is imperfect planning. Recognition of the public character of the firm will mean that we will have social planning. And hopefully it will be better done.

Other changes can be imagined. As the public character of the mature corporation comes to be recognized, attention will doubtless focus on the position of the shareholder. This is already anomalous. A shareholder is a passive and functionless figure, remarkable only in his capacity to participate without effort, or even, given the planning, without appreciable risk, in the gains of the growth by which the directing organization now measures its success. No grant of feudal privilege in the history of this kingdom has ever equalled, for effortless return, that of the American grandparent who endowed his descendants with a thousand shares of General Motors or IBM. But I do not need to pursue these matters here. Questions of equity and social justice as between the accidentally rich have their own special expertise; they do not happen to be mine.

### **Where the Consumer is Sovereign**

Some people will insist that the world of the modern large firm is not the whole economy. At the opposite pole from Unilever and British Petroleum and BMC is the world of the independent shopkeeper, farmer, shoe repairman, bookmaker, narcotics peddler, pizza merchant, streetwalker, and the car and dog laundries. Here prices are not controlled. Here the consumer is sovereign. Here pecuniary motivation is unimpaired. Here technology is simple and there is no research or development to make it otherwise. Here there are no government contracts; independence from the state, the narcotics trade and prostitution possibly apart, is a reality. All of this I concede. And this part of the economic system is important in fact as well as in romance. It is not, however, the part of the economy with which these lectures have been concerned. One should always cherish his critics and protect them where possible from foolish error. The tendency of the mature corporation in the modern industrial system to become part of the administrative complex of the state cannot be refuted by appeal to contrary tendencies elsewhere in the economy.

There is perhaps another incidental service I should render to my critics. Some who dislike the notion that the modern industrial system tends to merge into the state, as it develops, will be tempted to assault not the tendency itself but the harmless individual who describes this process. This is not in keeping with contemporary ethics and manners. Once the heralds of bad tidings were hanged or subjected to some other manifestation of disapproval. Now such reaction is regarded as lacking in delicacy. A doctor can inform even the most petulant client that he has terminal cancer without fear of adverse physical consequences. The aide who must advise a politician that the most recent polls show him to be held in all but universal disesteem exercises only moderate caution in this act. Those who find unappealing the present intelligence on the tendencies of the industrial system should, I submit, exercise similar restraint.

And they should also be aware of the causes. It is part of the vanity of modern man that he can decide the character of his economic system. His area of decision is, in fact, exceedingly small. He could, conceivably, decide whether or not he wishes to

have a high level of industrialization. Thereafter, the imperatives of technology, organization, and planning operate similarly, and to a broadly similar result, on all societies. It is the decision to have modern industry that is important. Given that, much of what then happens is inevitable and the same.

The two questions most asked about an economic system are whether it serves man's physical needs and whether it is consistent with his liberty and general happiness. There is little doubt about the ability of the modern industrial system to supply man with goods. Indeed, it is able to manage consumer demand only because it serves it so abundantly. It could not survive did it not incorporate a mechanism for making men want what it provides. And this mechanism would not work—wants would not be subject to management or manipulation—had they not been first dulled by sufficiency. In the United States, as in other advanced countries, there are many poor people. But they are not to be found within the part of the economy with which I am here concerned. The fact that these lectures do not deal with poverty incidentally does not mean that I am unaware of its existence.

The prospects for liberty involve far more interesting questions. It has always been imagined, especially by conservatives, that to associate all, or a large part, of economic activity with the state is to endanger freedom. The individual and his preferences, in one way or another, will be sacrificed to the needs and convenience of the apparatus ostensibly created by the state to serve him. As the modern industrial system evolves into a penumbra of the state, the question of its relation to liberty thus arises in urgent form.

In recent years in the Soviet Union and in the Soviet-type economies there has been a very poorly concealed conflict between the state and the intellectuals. This has been a conflict between those who speak for the needs of the state, including its discipline as an economic planner and producer of goods, and those who assert the higher claims of uninhibited intellectual and artistic expression. Is this a warning to us?

The instinct which warns of dangers in this association of economic and public power is in my view sound. Unhappily, those who warn have looked in the wrong place. They have feared that the state might reach out and destroy the vigorous, money-making entrepreneur. They have not noticed that, all the while, the successors to this vintage entrepreneur were uniting themselves ever more closely with the state and rejoicing in the result. These men were also, with equal enthusiasm, accepting abridgement of their own freedom. They were losing some, of course, as they subordinated individual goals to those of the great organizations. This is always the price of organized activity. But they were also losing freedom in the precise pattern of classical expectation. The officers of Republic Aviation in the United States, an American firm which does all its business with the United States Government, are no more likely in public to speak critically, or even candidly, of the Air Force than is the head of a Soviet *combinat* of the Ministry to which he reports. No Ford executive will ever fight Washington as did Henry Ford I. No head of Montgomery Ward, the great merchandising house, will ever again breathe defiance of a President as did Sewell Avery in the age of Roosevelt. Manners may be one of the things that are involved here. But all would state the truth: 'too much is now at stake'.

But the problem is not the freedom of the business-man. Business orators have always spoken much about freedom in the past. And it can be laid down as a general rule that those who speak most of liberty, least use what they have. The business-man who praises it most is likely to be a disciplined organization man. The retired general who lectures on the horrors of communist regimentation was invariably a martinet who in the act of military life relished an existence that was laid down by the regulations. The great diplomat who speaks most feelingly of the free world most admires the fine conformity of his own thought and behaviour.

The danger lies rather in the subordination of belief to the needs of the modern industrial system. As it persuades us on the goods we buy and as it persuades us on the public policies that are necessary for its planning, so the industrial system also accommodates us to its goals and values. These are that technology is always good; economic growth is always good; that accordingly firms must always expand; that consumption of goods is the principal source of happiness; and that idleness is rather wicked as an alternative to work; and that nothing should interfere with the priority we accord the technology, growth, and increased consumption that I have just mentioned.

If we continue to believe that the goals of the modern industrial system and the public policies that serve these goals are co-ordinate with all of life, then all of our lives will be in the service of these goals. What is consistent with these ends we shall have or be allowed; all else will be off limits, Our wants will be managed in accordance with the needs of the industrial system; the state in civilian and military policy will be heavily influenced by industrial need; education will be adapted to similar need; the disciplines required by the industrial system will be the conventional morality of the community. All other goals will be made to seem precious, unimportant, or anti-social. We will be the mentally indentured servants of the industrial system. This will not be the compelled servitude of the field hand. It will be the benign servitude of the household retainer who is taught to love her master and mistress and believe that their interests are her own. But it will not be freedom.

If, on the other hand, the industrial system is seen to be only a part, and a relatively diminishing part, of life there is much less occasion for concern. Aesthetic goals will have pride of place; those who serve them will not be subject to the goals of the industrial system; the industrial system itself will be subordinate to the claims of larger dimensions of life. Intellectual preparation will be for its own sake and not merely for the better service of the industrial system. Men will not be entrapped by the belief that apart from the production of goods and income by progressively more advanced technical methods, there is nothing much in life. Then, over time, we may come to see industrial society as an essentially technical arrangement for providing convenient goods and services in adequate volume. Those who rise through its hierarchy will so see themselves. And the public consequences will be in keeping, for if economic goals are the only goals of the society it is natural that the industrial system should dominate the state. If industrial goals are not the only goals, other purposes will be pursued.

Central among these other purposes is what we may call the aesthetic dimension of life. I want to dwell for a special moment on this for it is a special casualty of the goals and values of the industrial system. And that is why the modern industrial

system tends to dismiss aesthetic considerations as precious and impractical and un-masculine, and their proponents as 'aesthetes'.

The conflict arises in three forms, First, and most simply, is the conflict between beauty and industrial efficiency. It is cheaper to have power pylons march across the fields; to have highways take the most direct route through countryside or villages—or towns or cities, for that matter; to allow modern jet aircraft to ignore the tranquillity of those below; to pour industrial refuse into the air or into the streams.

Next, there is a conflict between the artist and organization. Scientists and engineers can specialize; artists cannot. Accordingly, the organization which accommodates the specialist, though right for the engineer or scientist, is wrong for the artist. The artist does badly as an organization man; the organization does badly by the artist. So he tends to stand outside the modern industrial system; and the latter responds by minimizing the importance of the aesthetic concerns it cannot easily embrace.

Finally, some important forms of artistic expression require a framework of order. This is notably true of structural and landscape architecture and urban design. It is order rather than the intrinsic merit of their buildings which accounts for the charm of Bloomsbury and Haussmann's Boulevards in Paris. Not even the Taj Mahal would be terribly attractive -between two petrol stations and surrounded by neon signs.

The remedy, in each case, is to subordinate economic to aesthetic goals—to sacrifice efficiency, including the efficiency of organization, to beauty. Nor must there be any apologetic nonsense about beauty paying in the long run. It need not pay. The requisite order will also require strong action by the state. Because of the abdication of this function in the interest of economic goals, no city, some non-commercial capitals apart, built since the Industrial Revolution attracts any particular admiration. And millions flock to admire ancient and medieval cities where, as a matter of course, such order as provided. Apart from the planned capitals, they ignore every city built since Adam Smith. The liberalism which allowed every individual and every entrepreneur to build as he wished was probably faster, more adaptable, and more efficient, and accommodated site better to need, than anything that could be provided under a 'controlled' or ordered environment. But the aesthetic effect was at best undistinguished and more often it was ghastly.

The change in goals and values which is here required is not small. But it will be aided by the fact that the modern industrial system, in contrast with its economic antecedents, is intellectually demanding. It brings into existence, to serve its technical and scientific and other intellectual needs, a large community of educated men and women. Hopefully this community will, in turn, reject the monopoly of - social purpose by the industrial system.

But the rewards of time and understanding can also be hastened and enlarged by energetic political action. It is through the state that the society must assert the superior claims of aesthetic over economic goals, and particularly of environment over cost. It is to the state that we must look for freedom of individual choice as to toil; for a balance between liberal education and the technical training that primarily serves the industrial system; and it is for the state to reject images of international politics that underwrite technology but at the price of unacceptable danger. If the state

is to serve these ends, the scientific and educational estate, as I have called it, and the larger intellectual community must be aware of their power and their opportunity and their obligation to use both.

The goals I have mentioned will be advanced by no other power—no other force. For the educational and scientific estate to stand down is to concede by surrender that the industrial system should have a monopoly of social purpose. Nor should anyone be deterred by ‘the usual adverse argument. It makes sound tactical sense for a spokesman for the industrial system to argue that liberty requires a weak state, the areas of industrial need apart, and that government is the enemy of the artistic or intellectual spirit, and that the intellectual should never concern himself with practical or political affairs. This contention, if successful, also insures that the industrial system will continue to have a monopoly of social purpose. And I for one hope that that does not happen.