



The Carillion episode and Home-Based Productivity

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The dilemma of the financial-industrial system is manifested through unexpected circumstances, and the collapse of Carillion is a glaring example -

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The Carillion episode is a symptom of the recurring failure of the financial establishment to support home-based productivity. And the latter is the primary condition for a sound economy in warding off the threat of national debt.

The most urgent issue facing majorities in the Western world today is personal debt, and it is a problem that is accelerating with little prospect of reversal in the conceivable future. This is because economies are trapped by the injunction to spend in stimulating growth when such expenditure sucks in imports in ever-worsening the balance of trade.

In view of the current situation, the solution to stemming debt and promoting prosperity can only best be found through each nation state in boosting the production of tangibles, firstly, in maximising self-sufficiency, and secondly, in creating a socially wealth creating economy through the more equal distribution of resources.

Whilst on the one hand it is probable that few would question the economic value of producing commercially viable tangibles, on the other hand, there exists a clash of vested interest factors in effectively promoting such productivity from a political perspective. No British, or for that matter, American government of any hue, in the Post-War period has been fully committed to home-based industry, and those calls made for domestic productivity have been half-heated or limited by conditions of one kind or another.

One looks in vain for vested interest bodies promoting the home-based sector. There are associations for small-scale as well as large-scale business, and there are federations covering the manufacture of every conceivable product, but they are rarely concerned with productivity issues from a specifically national perspective. Why is this? The answer is not far to seek. Business in Britain and America, and in other similar economies, is dominated by a Trading rather than a Manufacturing instinct, and this drive is explicable through a complex set of circumstances whereby international clash with national interests

If one looks at our toughest industrial competitors in the Post-War period, viz., Germany, other parts of northern and western Europe, or the Far East Tigers, a huge contrast is seen between their practices and ours. Their primary purpose (until the very recent past) has always been commercially viable productivity in maximising market share, firstly, in serving the material needs of their own peoples, and secondly, in aggressive export policies in confronting international competition.

Their purpose in maximising the profits of investors has necessarily been secondary, and held in check by the deficit financing of credit investment banks with specialised expertise in understanding the needs and profitability of manufacturing enterprise. This approach to business led to a situation whereby the latter were dominated by the banks to the extent they virtually took on the role of management accountants. Hence, if the enterprise ended up in the pocket of the bank, the latter nonetheless remained a benign influence in ensuring its client's concentration on a defined productive purpose and in ruling out tendencies towards the butterfly approach of diversification in difficult times.

The contrast with the Anglo-Saxon business model could hardly be greater. When the rationale of business becomes the maximisation of shareholders' profits, the financial-industrial scene is transformed. Whilst in Britain the purpose is more discreetly expressed, in America it is quite explicit with plaques prominently displayed in company foyers proudly proclaiming that the "investor is King," and consequently, trading principles override geographical factors.

In regard to Britain, an historical explanation is called for in differentiating between the activities of Trade and Manufacturing. Britain's industrial hegemony is traceable to a Trading environment, commencing with the sack of the monasteries in the 1530s and the wealth accrued by the state and prominent courtiers; the establishment of overseas trading companies; piracy and competition for resources in the New World; and at the end of the 17th century, the introduction of Dutch investing systems and the establishment of the Bank of England. The City institutions, it should be noted, were always internationally oriented, and because of the high risk of shipping merchandise in an age of storm and shipwreck, and much later, because of heavy investments in the infrastructure of unstable overseas territories, interest rates needed to be high, and they remained high by tradition thereafter and often short-term.

With the industrial revolution from the middle of the 18th century, an entirely new situation arose. New technology and manufacturing processes – as well as agricultural developments – were financed out of family, and later, by the hundreds of provincial banks existing in Britain until towards the close of the 19th century. Therefore, the role of the City in the industrial revolution was negligible until a much later period. The rise of major infrastructural developments, such as the railways (often a financial nightmare at the time), and later, shipbuilding, chemicals and the auto industry, etc., requiring very heavy investment, gradually drew in the need for the City institutions as a source for sufficient funding.

From early in the 20th century giant corporations, and later, conglomerates became increasingly significant, but it was not until the immediate Post-War period that a serious problem became widely apparent. The rationale of business linked to the City necessitated that the maximisation of investors' returns was the sole purpose of the market. The stockbroker's obligations were to his clients and not to any enterprise as a value in itself. When a conglomerate may consist of hundreds of separate enterprises, and when the latter may derive profits in a variety of ways or speed of accumulation, a hierarchy by business type may occur as to those which are more or less attractive to investors.

As a generality, manufacturing enterprises have become a low priority – and increasingly so over the past 30 years. This has either tended to lead manufacturing into insolvency or else to relocation overseas. This is because increasing expense accompanies more complex technology and constant change entails a longer time-lag for the accumulation of profit. Most profitable from the City perspective are investments in the passive assets of land and property and hence the consequences of their hyper-inflation. This inevitably reflects another situation, viz., that the City has limited consciousness of national factors – nor can it have or should have in fulfilling its proper global function.

All this has led to a situation whereby the attempt to promote the cause of home-based industry is extraordinarily difficult for a number of reasons, and this readily explains why no such competent organisation exists (to my knowledge) for promoting the sector. Most manufacturing enterprises in Britain today, and almost all above a certain level, belong to groups and those groups may be part of larger corporations. This may not be the impression gauged by the casual visitor to the average industrial site anywhere in the UK. Such a visitor, in viewing the wide variety of logos and firms, may be left with the belief that we flourish in a country of sound independent enterprises.

But if such a visitor, however, has reason to enter and talk with the CEOs of those companies he will soon discover to his surprise that 90% of the firms are usually members of a group or conglomerate. In other words, a generous display of differing logos or company names is no evidence for an independent status. The seemingly independent manufacturing or other firm, irrespective of size, belonging to a conglomerate, is split inescapably into two opposing directions.

The one-time independent culture of the company is committed to maximising market share as the proper function of its purpose for long-term stability as well as profitability. The imposed corporate culture of the same company, however, is the maximisation of shareholders' profits. The internal conflict that inevitably results usually leads to the sacking of the original MD in exchange for a golden handshake and the imposition of an accountancy-led replacement from the corporate headquarters, or else a reluctant surrender to a new set of values.

In any event, as facts have demonstrated clearly over the past 40 years, there is an environment of uncertainty often followed by further transfers of ownership, outsourcing, downsizing, overseas relocation, and asset-stripping, so that greater dividends may be awarded investors through selling the passive assets of land and property. Such a course may be perceived as suicidal for productive industry until it is realised that a conglomerate is primarily concerned with the overall profits of the group, and hence that the increase of financial capital is in itself the only criterion for success or commercial profitability. The idea that a conglomerate exists to support its weaker partners through the strength of others is one of the great myths of corporate business, for "dead ducks" must be left to their fate.

Secrecy and fear has always been characteristic of business culture. Confidentiality, of course, is essential to any business in safeguarding innovation and blocking the unwanted intrusion of competitors, and fear stems from all the unanticipated changes in a trading environment. Of most relevance to the present argument is the fear of business people throughout all levels of an organisation of overtly advocating the need for home-based industry. This is because such an attitude may obviously be interpreted by malicious personal rivals as opposition to the practice of "free trade" when decisions are made to relocate manufacturing concerns abroad. In an environment of increasing employment instability, such careless talk may too easily be used as an excuse for enforcing redundancy or dismissal.

It is true that the dogma of globalisation, as accepted across the entire political spectrum, is beginning to crack, and already in high places, calls are heard for the protection of home-based productivity, but that is still a far cry from the active promotion of productivity on a political scale. A glance at the banking debt crisis since 2008, and its causes, is ample evidence in demonstrating that the principles of globalisation cannot be allowed to continue unaltered as they have done in the past.

If the above describes the financial-industrial situation of the Anglo-American economies until the present time, then we must also take into consideration the significant changes that have occurred to our toughest industrial competitors since the start of the 1990s. If we denominate our competitors' financial-industrial system as *Productive capitalism*, then the Anglo-American system may be denominated as *Rentier capitalism*, as its macro-economic

outcome is to concentrate wealth into fewer hands (albeit unintentionally) as corporations become ever larger and more powerful.

Although it would hardly be accurate to conclude there was ever an overt competition between the two financial-industrial systems – certainly not declared on a conscious level, the sheer power of America as the world's leading economy, ensured that its methods began to dominate on a global scale. This became fully apparent by the start of the 1990s. With the financial crisis in Japan and the collapse of their investments it became clear that her Post-War principles for economic success had been betrayed from within.

Meanwhile, in Paris in 1991, the eminent economist and financier, Michel Albert, published his book, *Capitalism Against Capitalism*. This differentiated the contrast between what he described as the Rhine mode of capitalism (to include the Far East Tigers), with Neo-American capitalism that he envisaged as a malign warning for the future. The book had been written to alert the peoples of Continental Europe to the American threat – but it came too late. Britain, which had already been recently exposed to a number of newly developed financial methods and services from the US, was used as a launching pad for the Continent.

Since that time, it may be said that the Neo-American, or what I contend is the more appropriately described as Rentier capitalism has come to dominate the world. This does not mean that all the characteristics of the Productive economies have been extinguished entirely. Germany, France, Scandinavia, and the Far East Tigers, are still by comparison very protectionist, but despite that, their governments still strive with difficulty to maintain their traditional social democratic structures. Consequently, whilst manufacturing survives in a more favourable environment than in Britain or America, insurance and pension benefits have everywhere been seriously eroded. It may be noted that the tensions and misunderstanding between Britain and her EU partners is in great part traceable to the cultural differences between two contrasting financial-industrial systems.

Clearly, what is described as the Western world is now confronted by an economic crisis greater than any other in her history. Over recent decades this fact has been cleverly glossed over by the ideology of globalisation. The latter has been misleadingly viewed as an inevitable and beneficent process in equalising out the resources of the world for a fairer future. Belief in globalisation entails the division of territories into those that are allegedly more suited for the production of tangibles, and those that may best concentrate on advanced service industries linked to information technology. This view is upheld in trusting the peaceful beneficence of the interdependence of nation states through supposedly mutual trade – a long-held belief of classical economists supported with little basis in historical fact.

The truth is that the real beneficiaries of globalisation are not nation states or their people's, poor or affluent, but international traders of the Rentier economy who are not linked to the loyalty of any fixed territory. This is perhaps

most clearly demonstrated by citing the agricultural industry. When rural land is used for set-aside or non-productive use, and vegetables are imported (often by air) from distant overseas territories, that might have been grown locally, this is financially profitable to traders but to no other party. It must also inflate the value of essential foods through transportation costs, and make redundant or impoverish the farming communities where those imports are dumped. The recent hike in food prices, as a major symptom of inflation, is evidence of this process.

The same principle applies to the manufacture of tangibles, but other factors also come into play. It has been argued (and is constantly reiterated in Britain) that each country should manufacture those products for which it possesses the greatest skills. This misleading belief has come back to haunt us again and again. This is because we live in a world where no country exerts or owns exclusive skills, rights, or patents. The intellectual property rights of America, for example – which are stronger than anywhere else in the world – have done little to protect her industries. Meanwhile in Britain, I remember a time when it was “inconceivable” that the motorbike industry could ever be overtaken by a foreign competitor. Since that time, white goods, clothing, and endless other products have been defeated by international competition.

Only now are the advanced industrial economies of the world coming to realise that the maintenance of living standards is only possible through the self-sustainability of each nation state through the manufacture of tangibles, or the production of primary products through agriculture, timber, mining fishing, etc. All else is a fanciful illusion. It is still argued by the naïve that Britain’s economy may be maintained safely into the future through her insurance and financial services, but in the longer term even these will inevitably relocate to where manufacturing is most intensely concentrated.

And besides, the wealth generated by the financial services is more difficult to equitably circulate throughout the majority population. It tends to accumulate in the hands of a lucky few by contrast with the self-generating process whereby the production and sale of tangibles reach every corner of the community. This is not to deny the possibility of reforming the financial services to ensure a greater distribution of wealth, but that is a promise for future exploration and development. It has been suggested that smaller territories may survive through tourism rather than tangibles, but this is questioned by authoritative sources in the places cited.

The most dramatic demonstration of the approaching collapse of living standards in the advanced economies, especially in Britain, is witnessed through the hyper-inflation of land and property values. As the prospects of profits from investment in tangibles is lessened with the decline of the productive sector, financiers are crowding their assets into the easy pickings of land and property with the inevitable result of inflating those values.

The social consequence of this is interesting and quite unique. It is not exacerbating a class-based problem, as understood until the recent past, but creating a generational division across the entire spectrum of society. Hence, whilst there may be little impact on class conflict, the elders in society will exert their utmost in financially assisting their progeny but with limited success in reversing widespread dispossession in society. Whilst the exchange of benevolence and gratitude will ensure equitable relationships irrespective of the outcome, society will sink silently into depression in accepting whatever fate has to offer. Such fatalism is dreadful to contemplate for it anticipates a society without help or hope for better change.

Whilst class conflict, despite its regrettable aspects, was always in a strange way, a stimulus to progress through the left/right process of democracy, the new social division across all levels of society is a path to nowhere. Whilst economic oppression throughout history until the recent past was predominantly the experience of those at the base of society when the Haves and Have-nots acted as a guide to correcting wrongs; in a society where 90% are oppressed to an almost equal degree, there is no guiding principle for arousing feelings of justified resentment or indignation. Hence, blame may be seen as a useful political weapon for driving change, but when it cannot be found there is both paralysis of thought and action.

What response, if any, should be made to the situation as described above? There are clearly issues calling for politicisation, but these new problems cannot be fitted into the framework of any existing parliamentary group. They certainly defy a left or right wing interpretation for their successful resolution. Whilst on the one hand all political groups sweep these issues under the carpet in an embarrassed absence of mind; on the other hand, the discerning public has turned its back on the political establishment by refraining to vote or participate in outdated ideological discussion.

Whilst mainstream politics is side-lined, a strange peripheral politics appears from unexpected quarters, a speaking in tongues in such a confused and contradictory manner as if mouthed by the Delphic pythoness. The oracular mode of expression of the seer who has appeared from across the Atlantic is often difficult to comprehend, but his frequent repetition of “America first,” and insistence that every country should likewise put its “interests” first, is something that demands attention if not necessarily a following.

The exact forces that brought the 45th President of America into power may be inexplicable but they are traceable not to a traditionally oppressed underclass but to the desperation of a property-owning middle majority on the collapse of its mortgage arrangements and widespread re-possession by the banks, and the financial ruin of those who had cherished and believed in the “great dream.” It was a situation when mainstream politics had failed to uphold the hopes or expectations of the many.

If neo-liberal Rentier capitalism was to come under attack by the head of any nation state, it is an irony that such an attack (albeit in so opaque a manner) should come from the leader of the most powerful country on earth supposedly ideologically in the forefront of such a financial-industrial system. It is for this reason that the most foolish response to the Trump phenomenon would be to simply dismiss it with disdain or ridicule, for that would be to turn our backs in ignorance on the socio-economic forces that originally brought him into power.

When he declared the principle behind the cry, “America first,” it was a call to the world from the most powerful state that every nation should seek to promote its production of tangibles for the sake of self-sustainability and international security. He clearly implied that those governments committing themselves to globalisation had betrayed their electorates as well as the better interests of their countries and the underlying interests of humankind. If Trump may be dismissed on the grounds of all his prejudices and wrong-headedness, an exception has to be made for the economic meaning behind his cry of “America first” as that appeal may be applied on a worldwide basis.

The greatest significance to be read into the Trump phenomenon is the questioning of viability of the American financial-industrial system as we have known it since the Post-War period. Such a stark reading of the situation may be unacknowledged or too painful to be openly expressed by President Trump and his leading cohorts. If, on the other hand he is fully aware of the situation but chooses to conceal it, his alternate hot and cold attitude to other significant economic threats is nonetheless clearly a reflection of his fears and realisation of America’s weakness. In such an unstable political environment, only time will tell if his rule will bring alleviation or misfortune to his country and the world.

In returning to the realm of clear argument, and from a stance of immediate practicality, it is tentatively suggested that the following measures be explored and acted upon for a better future:- 1. The establishment of an organisation led by manufacturers, innovative financiers and trades unionists for promoting home-based industry; 2. Regional stock exchanges exclusively for the same purpose, to be based in Birmingham, Edinburgh, Cardiff and Belfast; 3. The establishment of industrial investment credit banks on the German model; 4. The gradual implementation of strategic import controls linked to the home-based production of specific tangibles; 5. Inspection facilities in ensuring that the latest technology is applied for all commercially viable manufacturing processes; and, 6. Arrangements for dissolving conglomerates in restoring enterprises to their former independence.

In a world essentially advancing towards ever more complex technologies, it is vital that higher educational standards are maintained for majorities, as otherwise the challenges of the future cannot be met, and our technological civilisation will slip into decline. Of the two forms of capitalism that have made their mark in the Post-War period, it is the *Productive* that must predominate. This is because the macro-economic outcome of the *Rentier* mode polarises

wealth and threatens the prosperity of the 90% majority with its need to maintain sufficient affluence to carry the costs of higher education.

If a strong manufacturing base is to be created its characteristics will have little comparison with those of the past. The factories of the future will not be labour intensive in the old sense, but capital intensive. They will be staffed by highly-trained engineers operating computer aided machinery. Irrespective of size, they will be situated in all geographical areas, and powered by electricity generated through renewable sources.

The above should not in any way be construed as critical of or attempting to limit the desirable role of the City institutions that should be encouraged to flourish on an international scale. The City should be valued as a unique institution in attracting inward investment and in funding the infrastructure of less fortunate territories. Its existence as a global influence may be seen as a guarantee for Britain's continuing dominance as a benign world power in the centuries ahead. Arrangements will need to be coordinated for ensuring smooth relationships and settling exchange rate issues between the City and those regional stock exchanges as suggested above.

Whilst there may always be differences in agreeing appropriate exchange levels, it may be borne in mind that for decades in the Post-War period, the Scandinavian states enjoyed flourishing manufacturing sectors despite the exceptionally high values of their currencies. In any event, a combination of strategic import controls; agreements for the profitable import of raw materials; special favoured arrangements and alliances on a nation-by-nation basis; and possibly the re-introduction of the Corn laws and Navigation Acts, together with other imaginative measures, may help assure Britain's prosperity for a secure future.

It is unfashionable to promote the idea of national interests, but not only are they necessarily linked to the values of the Productive economy, but transcend the interests of self-centredness in contributing to peace and security. This is immediately apparent when it is recognised that the Rentier economy is international in root and branch with unintentional but dire consequences for us all. The corruption and fraud we experience today on an intolerable scale is only made possible through a culture of internationalism defying the democratic accountability of nation states in respecting the interests of majorities.

Offshore financial services in many and often obscure island locations throughout our planet are not only centres for money-laundering and other types of financial fraud, but perhaps most significantly, for tax evasion threatening the economies of countries both large and small. A blind eye has been turned by governments bought off by powerful corporations for far too long. All this presents an irrevocable argument that every aspect of business should be made accountable to nation states, not merely in a narrow legal sense but with democratic controls over methods and procedures.

In conclusion, in justifying the many – perhaps overwhelming – theses crowded into this article, it should be remembered that no worthwhile new ideas were ever accepted instantaneously at their face value. New ideas on any topic are only welcomed after the struggle of convincing effort, and in the wake of sufficient repetition and time, so as eventually to be affirmed as unremarkable, and finally to be endorsed in the confident belief their value should never have been doubted in the first place.

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