



WINTER ADDRESS

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personal ownership and social progress

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This is the text of the speech given by The Rt Hon David Howell MP to the Associates of the Centre for Policy Studies at St Stephen's Club on 3 February 1986. While delighted to bring David Howell's speech to the attention of a wider public the Centre nonetheless never expresses a corporate opinion in its publications.

The Author

David Howell has been M.P. for Guildford since 1966. He played a central role in shaping Conservative policies in the years preceding both the 1970 and 1979 election victories. He is the author of a book on wider capital ownership and numerous pamphlets. A former Treasury official and then journalist, he served in four junior ministerial posts in the 1970-74 Government and was Secretary of State for Energy for two and a half years from May 1979, and subsequently Secretary of State for Transport.

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The Ignored Ideal

THE IDEAL OF WIDESPREAD PERSONAL OWNERSHIP AS A CENTRAL GOAL OF social policy has been persistently advocated over the years by a handful of politicians and one or two economists, and as persistently ignored by almost everyone else. In particular, the academic and intellectual establishment has paid almost no attention at all to the idea, or to its implications for the structure of society and the role of government.

For example the *Fontana Dictionary of Modern Thought* carries no reference to it either under 'property' or 'ownership', although it does give considerable space to Labour's defunct social compact, to social democracy, social engineering, participation, political bargaining and the Provos! Profit sharing gets a brief mention. Yet the notion of widespread personal ownership as a counter to collectivism and as an escape route from the class war between wages and capital is far from new. In the 'thirties Anthony Eden was making speeches about the need for a property-owning democracy. In the 'forties both Conservative and Liberal leaders in Britain strongly supported a variety of wider-ownership ideas.

Then in the late 'fifties a book was published in America of dazzling prescience explaining how a socialized society should be replaced, and in due course *would* be replaced, by a social order based on greatly broadened individual ownership – both of private enterprise and of public utilities.

The book, *The Capitalist Manifesto*, written by Louis Kelso, appeared in 1958. In the high noon of post-war Keynesianism, it received virtually no recognition. Yet Kelso believed deeply that mass ownership of industry and enterprise offered by far the best way out of the Keynesian inflationary ambush (as he described it) which he had correctly diagnosed as the likely post-war consequence of over-enthusiastic attempts by central government to manipulate total demand. He attacked Keynes, not for his perfectly sensible ideas for expanding public works, and running a budget deficit during a depression, but for his surrendering on the wages front and for his assuming that money wages and salaries could not and would not be flexible downwards (on the grounds that union power would never permit downward adjustment). He argued that Keynes had ignored the most promising way out of the dilemma of inflation-

versus-full-employment, by neglecting the enormous potential of the idea of wider capital ownership. Why, he asked, should not high living standards for all and mass purchasing power be maintained via income both from labour *and* from capital resources? The best hope, he urged, for a non-socialist future lay with policies for wider capital ownership. This was surely the right way to dignity and status for all in a stable and unified society, the right way to an economic as well as to a political democracy.

Kelso proposed a number of detailed schemes for greatly widening both employee share ownership in private enterprises, and ownership of shares in public utilities. He made a proposal, dismissed at the time as ridiculous fantasy, that consumers of services provided by public utilities should be converted into shareholders. A quarter of a century later this is of course precisely what has happened in the case of British Telecom.

In fact Keynes himself was not totally unaware of the argument for wider capital ownership. In *How to Pay for the War* he suggested that the answer to inflationary pressure and excessive wage demands might lie in the distribution of shares to workers. So Keynes certainly saw the dangers coming. But Louis Kelso was quite right to say that the post-war Keynesians had forgotten all about this. Indeed the thought seems not to have entered into their writing on policy recommendations at any stage whatsoever.

A False Dawn

In preparing our ideas inside the Conservative Party in opposition between 1964 and 1970, we sought to build on Kelso's insights and to broaden the idea of widespread personal capital ownership into a major Conservative theme. It seemed to some of us to offer the obvious way forward on both the economic and social fronts. We saw wider ownership in the context both of encouragement for smaller enterprises and of a general renaissance of the more flexible, less controlled, side of British industry and commerce. We saw in policies for wider individual ownership the opportunity to reduce the huge concentrations of power which had accumulated in the nationalized industries and services. And we saw the opportunity to redress the balance between private economic interest and the growing domination of the giant financial institutions.

Above all, we believed that the spread of capital ownership amongst as many families and individuals as possible opened the way to a lessening of people's total dependence on their paid employment by others. It meant the spread of personal dignity and individual status, the promotion of self-employment and family enterprise and a general roll-back of officialdom – with its master-servant connotation which we found so unpleasant and in which we saw a sinister future, as Orwell had seen before us. More personal ownership meant less central government and bureaucratic power.

It has to be said that the climate for these ideas after 1970, when the Conservatives had been returned to office, remained extremely negative, even hostile. Commentators and columnists were not really interested, being far more preoccupied with the intricacies of incomes policy, and with macro-economic 'solutions' to major problems of society. Industrialists thought people were 'not ready' for popular capitalism in Britain. Policy makers thought that the theories might make good speech material but were marginal to the main dilemmas which the country faced.

I remember one particularly dispiriting visit to the late Sir John Methven, Director General of the CBI, to discuss the theme of wider ownership. Sir John, who had an open mind and an enthusiastic attitude towards economic reform, warned me that his members would be no more than politely interested in the

idea of wider ownership of shares for employees – and would be actually hostile to any strong government policies aimed at promoting share-ownership by workers on a really large scale. Employers would regard all this, he explained, as a dangerous distraction. Capital was for shareholders and wages were for workers. So much for equality of opportunity and of economic status in our country!

Certainly, today things do seem to be different. Attitudes towards worker capitalism are much less patronising. Industrialists welcome the trend towards people going into business as mini-capitalists on their own account. There are now more than a thousand medium-sized or large firms with schemes for employee share ownership, covering some three quarters of a million workers. Speeches by senior ministers pledge the building of a capital owning democracy and the thorough popularising of capitalism. The Chancellor of the Exchequer, Nigel Lawson, has repeatedly and vigorously supported the theme as providing the best way forward in a non-socialist environment. And the Prime Minister herself has described the extension of property ownership as 'the historic task of all governments that love liberty'.

Distinguished economic commentators too (notably Samuel Brittan writing in the *Financial Times*) have enthusiastically embraced the concept of a fairer distribution of capital ownership. All this is none the less welcome for coming regrettably late in the day. It suggests that shafts of reality are beginning to break through the low grey clouds of the British political debate.

Flaws in the Tapestry

On the Conservative side the process has been greatly helped by the realisation that other strands of policy – the revival of the small business sector and the push for the privatisation of state assets – are all potentially part of the same unfolding tapestry.

I say 'potentially' because in 1979 the Treasury did not understand this point or, if it did, was not very interested in it. For the shapers of economic policy in the Treasury the purpose of privatisation was to raise cash and improve the look of the Government's borrowing requirement, to the precise size of which enormous (and wholly unrealistic) psychological importance was attached. This attitude still lingers in parts of the Treasury and could yet inflict further damage on the otherwise hearteningly vigorous programme of privatisation and dispersal of assets which were previously held so narrowly by the state.

One stroke of good fortune in the mid-'80's in Britain is that there has now come to the Treasury a new Financial Secretary, John Moore, who grasps the wider implications of privatisation and their place within the context of overall social aims, very clearly indeed. His task, and that of other Treasury Ministers, will now be to ensure that the enormous privatisation programme, as it proceeds on its way, is conducted with ever more emphasis on the goal of widespread equity ownership – even where this reduces the proceeds of the Treasury and the immediate gains to the Public Sector Borrowing Requirement, below what they might otherwise be.

Meanwhile Samuel Brittan has characteristically gone into the issue in very great depth, and has made the intellectual connexion which many of us were adumbrating a decade ago between capital distribution and wages.

But, whereas in the previous decade our hope and contention was that wider capital distribution would moderate ceaseless demands for inflationary wage increases, Brittan has focused on the contemporary problem of mass unemployment.

The argument goes like this: if any deep inroad is to be made into unemployment and some kind of satisfying occupation is to be provided for everybody, then this will occur only if wages are truly flexible and job seekers are prepared to accept lower wages – despite Keynes's insistence that this would not happen.

Up to this point Brittan, and others who take the same view

about flexible wages, are saying only what classical economists – like, for example, the celebrated Professor Pigou – always said: that the most promising path to fuller employment lies not through the bellows of demand expansion (monetary or fiscal) by central government, but through allowing wages to be adjusted to levels which clear the labour market.

But here Brittan faces the question which market economist monetarists and traditional Keynesians have shirked. If the wages at which jobs for all become available are indeed found to be below the levels needed for a decent standard of living, what is the answer? On the one hand there is the Keynesian response, which is that they should not be offered and will not be accepted. 'Workers' wrote Keynes in *The General Theory* 'will usually resist a reduction in money wages', and he argued that it was a very good thing that they did. The 'answer', he insisted, lay through fiscal and monetary manipulation at the macro-economic level.

On the other hand the classical economists argue that a low wage is better than no wage (though this of course is not in fact the case under existing social security provisions or with existing levels of unemployment pay).

The Third Approach

But there is a third approach, one that has been deftly grasped by Brittan. It is to seek to compensate, as far as possible through capital distribution, for what the employment market mechanism can no longer provide through conventional wages and salaries. It is to allow the market for wages to work, while at the same time encouraging equality of status and of circumstances through the widespread accumulation of personal capital.

'Why is this so terrible a prospect?' asks Brittan 'A shift in market rewards away from labour towards capital is a disaster only if capital is highly concentrated and many workers have very little except for a stake in their own houses. If, however, income-earning assets were to be so widely distributed that every family derived a substantial annual amount from them, market clearing wages would become once more a political possibility; and the pressure for measures such as job sharing to reduce the supply of labour would be somewhat less'. (From 'The Politics and Economics of Privatisation'. *Political Quarterly*, April 1984.)

It would be more than a possibility. It would be a reinforcement of a trend which this country seems happy to accept, indeed which has already begun.

In practice the shift away from formal work and wage structures towards a more individualist work pattern is already well under way.

For example, self-employment is growing at a great pace. There is an enormous surge of interest in almost every part of Britain – even including the allegedly 'dead' inner city areas – in small enterprise: how to get it going, how to join in it, how to escape the dead weight of wage-dependence.

Every magazine stand is now packed with publications offering advice on starting up small enterprises, overcoming their teething problems and successfully managing them.

'Starting your own business' has long since ceased to be an impossible dream and become the subject of everyday discussion everywhere. Local authorities and chambers of commerce have formed agencies across the nation to give counsel, help, warning, instruction and guidance to people of all ages who want to start up businesses of all kinds, and who are quite prepared to accept low incomes while doing so.

Sleepy clearing banks are beginning to be less downright discouraging towards the would-be entrepreneur who at the outset has nothing but self-confidence and a few savings as security. Indeed the starter may not have even that.

Government initiatives like the imaginative Enterprise Allowance Scheme, which helps unemployed people to stand up on their own, fit in at the heart of this scene. So, too, do other centrally inspired local schemes – including some initiated by the larger private sector undertakings – which give individual wage and salary earners the access to funds, together with the encouragement and guidance they need to launch themselves into independence.

Yet, despite the ferment, so long as government policy and public debate focus only on wages and salaries, the capital side of the equation is shoved wrongly into the background. It is as though half the policy picture has been blacked out. And half a policy, like a chair with two legs, does not stand up.

This explains why frequent ministerial appeals that incomes should be restrained and wage rates kept low so that more people can be employed, tend to please logicians and economists but displease the general public. The general public is right and the economists are wrong. There is a missing half of the proposition, from which talk of more flexible wages should never be disconnected. It is that in a liberal and decentralised society, where the work opportunities are endless and where there is undoubtedly always plenty of work to be done, support for a decent living standard must be expected to come not just from wages but from capital sources as well. The vigorous development of these capital sources as a vital additional prop of family living standards, is just as much part of the necessary reform of the labour market as are all the other proposals for increased wage flexibility and for lifting the burdens which prevent the proper working of the labour market.

This is the point at which the ideal of wider ownership becomes not just another piece of anti-socialist and anti-collectivist rhetoric, but the key to the solution of the Keynesian dilemma, the successor idea to the Keynesian economic and political order. Micro-economics begin to take over again from the macro-economic theorists who have been running our lives – or trying to – ever since Keynes. Yet curiously it is a key which some monetarists have just not been able to turn in the lock.

Monetarism, as Professor Brian Griffiths, the new head of the Prime Minister's Policy Unit at No. 10, has explained to us, is intended to remove the monetary causes of inflation. 'It was not designed to solve the problem of long-term structural unemployment. That is a matter of major labour market reform.' (CPS *Summer Address* 1985.)

Very much the same message comes to us from the Chancellor of the Exchequer, Nigel Lawson, in his Mais Lecture, *The British Experiment*.

'It is the conquest of inflation' Mr Lawson argues, 'and not the pursuit of growth and employment, which is, or should be, the objective of macro-economic policy. And it is the creation of conditions conducive to growth and employment, and not the suppression of price rises, which is, or should be, the objective of micro-economic policy. Relatively free markets' he continues 'the spirit of enterprise and workers who prefer to price themselves into jobs, rather than out of them, are a powerful engine of employment.'

Yet it is this 'powerful engine' which Keynes thought would not function, for the very good and liberal reason that he did not see either the trade unions, or society generally, tolerating the lower living standards which in his view – and in that of others today – are inevitably implied by lower wage rates. Every time the monetarist zealots call for more flexible labour markets, they sound as though this is precisely what they *would* tolerate – and are then quite puzzled at the utter political and social unacceptability of their message.

Unravelling the Dilemma

The introduction of the capital ownership idea begins to unravel this dilemma. It permits governments and policy-makers to commit themselves to a genuinely cohesive social policy and to a degree of real equality of status in society, something which they can no longer credibly promise to deliver through full time employment in the old sense of providing full-time, life-time jobs for all.

Since 1979 the Conservatives have in practice taken a considerable number of steps towards widening personal ownership, and creating precisely those conditions in which less dependence on full-time wages can become consistent with decent living standards.

In the six years since 1979 home ownership has been considerably extended (from 53% to 62% of the population). Meanwhile, the privatisation programme continues to swell the number of individual share-holders, bringing several hundred thousand additional employees into the share-holding community. It may be hoped that the sale of British Gas will add at least another million first time equity share-holders to the 'new' million who hold British Telecom shares.

On the pensions front, steps have been taken or are planned which are equally significant for wider ownership. Personal occupational pension schemes for those with incomes from non-pensionable employment – i.e. the self-employed or part self-employed – have been given enormous encouragement. Some help is being given to those who want to take their pensions with them from job to job and the pressure is now mounting to allow all members of existing pension schemes to switch to personal portable pensions should they wish. A move of this kind would of course strike a double blow for wider personal ownership – since it would individualize ownership which is at present held collectively in the pension funds, and would create a far greater sense of direct involvement and ownership in the mind of the pension beneficiary. To reduce wage dependence and to enlarge personal economic freedom in such a direct way would have a most liberating effect.

So why, then, do the Conservatives remain so much on the defensive about pay, jobs and work? It can only be because we continue to look at pieces of the jig-saw and not at the whole

picture. Except in the case of home-ownership, and in particular where former council tenants have the opportunities to purchase the houses in which they already live, the other measures (together with the attitudes they foster) still really apply only to a small minority of the population. Even now, after the spectacular sale of British Telecom, the number of individual owners of equity shares is probably little over three million – about 6% of the population of the United Kingdom. If this country wishes to pioneer social reform based on wider individual ownership then it still has a long way to go even to catch up with the levels of personal ownership in most other Western European countries (let alone in the USA where the equivalent figure is 25%).

Even worse for the cause of wider ownership has been the inexorable growth in the proportion of total registered wealth, other than homes, in the hands of pension funds and other financial institutions. This may be gradually checked by greater incentives to people to own their own pension plans and possibly by the marginal reforms now proposed for the State Earnings Related Pensions Scheme. But all this will take a very long time. No one can really be sure how far these changes will lead to personalisation of ownership, and to the growth of a sense of personal involvement which direct ownership should bring.

All in all, rhetoric has tended to run well ahead of real progress towards wider capital ownership, and towards the establishment of a strong sense of personal responsibility and personal obligation – a feeling of belonging to, and sharing in, society.

The Real Test

The real test now is whether the rhetoricians are prepared to move on from generalities to decisive measures: whether policy makers are prepared to challenge not just the huge concentrations of wealth which are state-owned, but those that have grown up elsewhere as well: whether, in short, politicians are prepared to wrench themselves away from their obsessions with traditional notions about income distribution and about employment as the only valid form of work, and instead start to promote a true capitalist revolution.

What does that involve? For one thing, a much more vigorous refusal than hitherto to hold the great financial institutions in awe. At the very least one would hope to see moves to equalize the fiscal advantages as between individual savers and institutions (for they are certainly not equal now).

Philip Chappell has forcefully argued that the guiding principle should be fiscal equality. By this he means something which may be less theoretically desirable but is almost certainly more politically practicable than the fiscal *neutrality* which at one stage appeared to be the mast to which Conservative tax reformers had nailed their colours. By fiscal equality Mr Chappell means that patterns of tax incentives should be as favourable to personal savings as they already are to savings through institutions. Along with Lord Vinson, a founder member of the Centre for Policy Studies and another veteran campaigner for wider ownership, Mr Chappell has recently proposed a plan which would allow everybody to set aside any part of their annual income – or other wealth – and place it in a segregated Personal Investment Pool or PIP. It would enter this Pool free of all tax. Income tax liability would arise only when savings from the Pool were withdrawn. As Chappell and Vinson point out, even this would not provide true fiscal equality with pension funds whose additional tax privileges include commutation and the extraction of a tax-free lump sum. But it would at least be a major step in the right direction.

There is another area of ownership in which a wider spread has yet to be positively encouraged – and that is the land. We need to see policies which at least cease to encourage larger and larger-scale production and concentration of land holding – and at best promote dispersal.

These very clearly are not the agricultural and land policies being followed in our country today. The statistics on land holdings show a remorseless amalgamation of acreages into ever larger units, and a steady decline in the number of smaller landowners and farmers. Clearly the 'historic task' of the Conservatives to widen the ownership of property has not yet reached the ears of the agricultural policy makers or the guardians of traditional landed interests.

Then, third, if popular ownership and the wide spread of economic power really are principal aims for our society, the decision to put large public monopolies into the private sector with their powers virtually intact, and with only a veneer of regulation, raises some fierce question marks, to say the least.

British Telecom and the British Gas Corporation may become, as we have noticed, much more widely owned than they used to be under Whitehall's control. But to what extent has a *real* dispersal of economic power, or indeed any real increase in competition been achieved in practice by these transfers?

The danger is that if people feel that wider ownership is some kind of trick – one that keeps the workers quiet while power remains as tightly concentrated in monopoly hands as ever – then the collectivist opponents of the wider ownership idea will not find it difficult to discredit the whole movement and all its supporting policies.

The reality is that the various measures and changes undertaken have *not* yet engendered a mass change of attitude nor the creation of a new culture throughout all society which might help to rid us of the old 'wages' and 'them against us' mentalities. Nor can this surprise us when we see how timid the challenge has been to the great wealth-holding concentrations and interests. As we have seen the impulses are there, driving us towards more independent work patterns and a world in which employment is no longer seen as the only valid form of work, or income from employment as the only valid source of livelihood. But few of the supporting policies are yet in place.

In short, the idea of ownership of wealth as a popular entitlement and a normal social condition has not really begun to march. Nor, except in a very incomplete way, have the attitudes taken hold in popular consciousness which must take hold if people are to act and think like owners as well as earners, capitalist accumulators as well as wage-receivers.

Ownership and Care

Had they done so I believe we would have seen a very much faster and larger change than has been the case in those habitual outlooks and in the centralist ideas which still dominate the minds of policy makers and politicians.

First, we would have seen a far more positive and popular connexion established between the culture of widespread ownership and the ideals of care and concern for the under-occupied, the disadvantaged and the most vulnerable members of any community. The belief that 'the state will look after' (meaning that nobody else need really bother) would have been far more rapidly discredited than it has been so far.

Second, we might have seen the realisation grow that the extension of individual ownership does much to provide the answer to problems which it was believed could be met only by a central government commitment to the goal of full employment. Personal ownership does what central government policies cannot do. It offers a solid minimum of dignity and status for all – which 'they' cannot take away or confer at bureaucratic will. It provides the basic conditions in which work and occupation no longer have necessarily to be of the full-time, full-life kind in order to make ends meet. Opportunities for people to vary their mix of activities, to perform work which they enjoy and which is socially useful – even if not highly rewarding – are greatly increased. Pursued to the full, the social aims of wider ownership become the weapon by which the debilitating concept of the labour 'scrap heap' can finally be razed.

Ferdinand Mount, a former policy adviser to the present Prime Minister and a former head of her Policy Unit at No. 10, has written tellingly on this issue, in a way that those who seek to change Conservative thinking about the future should surely heed. In his 1984 Autumn Address to the Centre for Policy Studies *Property and Poverty: an agenda for the '80s'* he argues that widespread property ownership is inseparable from a widespread sense of obligation. 'Private property' he contends, 'is a concept which embraces and nourishes the idea of service to others. Personal ownership is not the same as self-interest. It contains an altruistic element which generalized state ownership lacks, and which is indeed drained away by state-domination in the welfare and "caring" services.'

There are echoes here of Alexis de Tocqueville's powerful concept of 'self-interest rightly understood' – the quality he discerned in the vigorous young American society of the 1830's. What de Tocqueville was speaking about then, and what Ferdinand Mount seems to be writing about now, is a kind of tempered self-interest which, far from being rooted in greed and selfishness, militates against a 'damn the next man' individualism and seeks to be measured not only by personal but by social standards. De Tocqueville correctly identified, even in the raw American society at which he was looking, a natural and fundamental impulse towards co-operation in human affairs. He saw this as no more satisfied by an exclusive insistence on individual rights than by an insistence on strict equality and collectivised state power. Both pointed in false directions. This instinct to co-operate, whether in the family, the locality or the wider community, is one which central state power kills and dispersed power of ownership nurtures. It is least likely to develop where people think in terms of wages-versus-capital, and where they are preoccupied with pay rates and the security (or insecurity) of total reliance on paid work to maintain living standards. It is least likely to flourish where people believe that the week's wage is all that stands between them and personal catastrophe.

It was de Tocqueville's observation, too, that European, feudal and despotic conditions provided the worst possible climate for the emergence of his tempered and moderated sort of self-interest. In Europe, extreme paternalism guaranteed a reaction. It ensured that the pendulum swung either towards a rampant anarchic individualism elevated to absurd heights of principle, or to a new brand of state despotism.

He did not add, although he might well have done, that if we were not careful we Europeans might end up with both – that is, both the attitude that responsibility for each other's welfare and for our neighbour's could all be shuffled onto an enormous state *and* the belief that unrestrained individualism should be allowed to dominate the private sector. Democratic capitalism would be the loser.

The Wrong Middle Way

Yet something very like that has certainly occurred – a sort of market socialism which embodies the worst aspects of the two philosophies, a large state and a selfish private sector. Here we have the intellectual makings of the ‘middle way’ which has so confused and befuddled British political thought. Naturally, goes this ‘middle way’ line of thought, we are against Orwellian state control; but we are also against a completely individualistic society. It follows that the right ‘half-and-half’ is to have a strong intervening welfare state, leaving people with a clearly delineated area in which they can ‘do their own thing’. Responsibility is nationalised while the economy is privatised. Thus emerges the muddled basis of contemporary ideas advocating a return to the mixed socialist and capitalist economy: ideas which are broadly favoured by the moderate left, the so-called centre political parties in Britain and some members of the Conservative Party as well.

The deep error in this kind of thinking is that it seeks to draw the middle line along the wrong axis. By contrast the ‘middle way’ to which de Tocqueville points is the one which leads each individual in society to recognise and accept not only his rights but also his duties and obligations. Social and individual motives are fostered in each one of us instead of being divided out and allocated to quite separate sectors of society. The mistake of the ‘middle way’ proponents of a mixed economic order has been again and again to assume that the collective and co-operative aspects of life have to be largely the responsibility of the central state, something to be handled by ‘them’. This is not at all what Dr Ludwig Erhard meant by the social market economy in the 1950’s, although it does appear to be what Dr David Owen means by the social market economy today. Erhard meant that the state should have a very subdued role and pursue policies based on sound conservative finance, while individuals, if only they were left the resources to do so and not taxed into inertia, should and would act in wider interests than their own. Compare this to Dr Owen’s thoughts in his book *A Future that will Work*. There the state and the large collectivist institutions continue to be assigned a dominant role, in which government and industry form some kind of partnership, and the individual is left free to operate in a limited market sector (op. cit. page 15).

It is easy to understand how someone who had previously been committed to unreconstructed socialist ideas would begin to make concessions and move towards market economics along these lines. Yet it is the kind of thinking which leads straight into a siding. A middle way between collectivism and individualism has to be one which gives people the time and opportunity to act in accordance with their natural wishes: it should both reduce their dependence and enlarge their personal economic freedom.

The real aim of the mixed economy must be to provide conditions in which as many people as possible have the time and resources to work outside their paid jobs in the service of others, to fulfil their proper social obligations. The more that these conditions can be achieved (and of course personal ownership of capital is a very powerful agent in bringing them about) the more truly will substance and meaning be given to the idea of the social market economy which Dr Erhard saw so clearly. If anyone believes that these sorts of mixed motivations are idealist fantasy and that narrow self-interest will always prevail, they should study just how much work people on very modest incomes do perform for nominal pay or on an entirely voluntary basis. What clearer confirmation could there be of the powerful human instinct which urges us to act socially (as distinct from collectively), in even the most hostile circumstances? People want to be free to fulfil obligations to each other, to their families, neighbours and communities, if only they are allowed to keep the funds which enable them to do so. And it is precisely these funds which the high tax enthusiasts of the so-called centre parties and the left wish to take away.

On from Market Economics

The time and resources needed to bring these social conditions about must come primarily via ownership: via the culture which grows when personal and family ownership of homes and shares are accepted as the natural scheme of things. They are not conditions which emerge automatically from market economics. Nor did they do so in the America about which De Tocqueville was writing. Governments intervened decisively, not to take away and centralize social responsibilities, not to do deals with the big interests, but to ensure that capital was spread widely. The American government did this by the expedient of allocating small parcels of land and discouraging (albeit not altogether effectively) the accumulation of these into large holdings.

Today's pure market economists who reject all government intervention in favour of the 'invisible hand' have, therefore, fundamentally misunderstood the nature of a healthy capitalist society. If the market economy is to deliver more effectively than socialism, it is essential that it should be associated with policies which promote wider capital ownership and the maximum dispersal of monopoly power. There has to be some reassurance, which a general disposition in favour of market economics cannot alone provide (however vigorously this may be promoted by political leaders) that modern popular capitalism can come to grips directly with the chief anxieties of the day – that is poverty, unemployment and social deprivation – and do so much more efficiently than either out of date state socialism or the half-and-half varieties favoured by Britain's centre parties.

There is a further factor. I believe that the insights of de Tocqueville have been given a fresh relevance by the arrival of the age of information technology. This has enormously reinforced the natural instinct of people to combine and co-operate on an everyday human scale, rather than turn to big government for protection. Information is no longer the monopoly of the centre. Far from accelerating the tendency towards centralisation and bureaucratic tyranny, as Orwell and others feared, the micro-electronic revolution is beginning to create pressures which work in precisely the opposite direction. Micro-computing power is proving to be a liberating, fragmenting, dissolving force. It 'demassifies'. It makes widespread capital ownership both more possible and more appropriate. And that in turn paves the way

for the reinforcement of social values and attitudes which give less weight to central state action and more emphasis to opportunities for individuals and groups.

Thus we have here a remarkable alliance of forces, one that simply did not exist before. We see a society which clearly rejects centralizing socialist ideas (those which seek to exploit and distort the co-operative side of human nature) and is searching for less dependent and depersonalised patterns of work and living. And we see micro-technology working powerfully in the direction of these new concerns – weakening the case for central control, dispersing economic power, making markets work with far greater speed and efficiency than was thought possible a few decades ago.

The common policy strand binding these two historic trends together is the one which disperses and broadens personal ownership of capital resources. True, it would be naive to depict a greater spread of capital ownership as the single answer to the social problems which confront modern society. In politics there is always a regrettable tendency to ask too much of new ideas – and then when they are found wanting, to discard them. Keynesian proposals for tackling employment and demand deficiency were hailed as saviours of capitalism. But after a while they could not cope with post war demand-excess and inflation. Similarly, strategic monetarism cannot cope with structural and technological unemployment and under-employment, although it has played a significant part in creating a world disinflationary climate.

Is the Valley Really Dying?

In the same way a stronger commitment to wider and personal ownership as a major social goal, and as the inspiration behind social and industrial policy, cannot possibly 'solve' all the problems of, for example, an ex-mining community with a 22% employment and a scattering of new factories in a nearby industrial estate. What on earth is the relevance, it could be asked, of widespread personal ownership to the dereliction and despair of such a sadly typical scene? Yet it would be a serious mistake to dismiss the drive for wider personal ownership as having nothing important to do in such areas in our country today.

Let us take a typical valley townlet, half its small shops closed, the pit due to close soon, the steel processing plant long since shut. The boarded shops will only open up again, life will only grow busy and prosperous again if people with capital and ideas are prepared to invest in the locality which in turn will be because 'there is money about'. The factories which already employ a few people on the industrial estate can make beginning by installing profit-sharing schemes, maybe graduating to share option and then share distribution schemes. In the schools the basic mechanics of enterprise as the source of employment can be taught, drawing on local examples. Home ownership can be further encouraged and local council estates privatised and modernised. Ironically, it is probably the high incidence of home ownership in mining communities which has given them such cohesion and resilience – as shown in the misguided 1984-85 miners' strike.

So it is that this spirit – the spirit of belonging, of having deep roots, of being an integral part of society, of refusing to be left outside it – turns out to be not at all irrelevant to questions of ownership. On the contrary, ownership is the central ingredient of revival. It gives birth to the attitude which, properly nourished, can lift depressed and 'dead' communities back to pride and prosperity. What a disappointment it was to see so little recognition of this fundamental point, this lively spark of hope and creativity, in that soulless Church of England report *Faith in the City* which appeared just before Christmas!

What the clerics and their associates seemed unable to grasp is how deeply destructive the 'we-they' wages-versus-capital

view of the social order is. The creative motivation that must be restarted in the inner urban areas comes from precisely the opposite attitude.

In the former case the assumption is that wage employment has got to come from somewhere, from someone from outside, from 'them' – and when it comes it always seems inadequate, wrongly given, temporary and ineffective. The latter approach – the ownership one – goes the other way. It gives every family the seed of an idea that they themselves can be part of the recovery process and of the growth of their community from *within*. They can share as stake-holders rather than have to wait for the decisions of others, often seemingly taken on another planet, to be imposed upon them.

There is no need to be too restrictive about the initial form which capital distribution might take. Experimentation should be encouraged – a sort of capitalist Darwinism. One might be talking about shares in the local firm, or redundancy money, or shares distributed by central government as part of a sustained and deliberate national policy for widening ownership – thus placing income-producing assets in the hands of the majority. Nor is it of decisive importance whether local capital is invested in long term assets, or whether it is spent on home improvement and the upgrading of existing physical assets. What is essential is that these resources should visibly and tangibly belong to individuals. Capital begins to share the forefront of the stage with wages. Ownership and the handling and investment of savings become not for the likes of others but for the likes of every family in the country.

It can be argued that the injection of funds into the community by central government via this policy is little different from increasing social security payments to those low income families who have been left high and dry by structural change, e.g. by the pit closing, or the steel mill contracting. But no – there is every difference in the world between income being given regularly by the state through some bureaucratic system at a rate determined by a remote political decision, and income flowing from one's own, lawfully owned personal property. 'A source of income', Samuel Brittan reminds us, 'unconnected with either work or state handouts has always been a source of security and independence'. It is these two qualities – security and independence – which are the vital ingredients for enterprise and

recovery in any village, any town, any valley or any region. That is why the social goal of wider personal ownership, far from being marginal to the terrible problems of the depressed mining communities, or of derelict inner city areas, is an absolutely central consideration: a 'micro' key to improvement, recovery, regeneration, which decades of macro-economic strategy devised by central government has been unable to provide.

Concentric Circles of Capitalism

In my book *Freedom and Capitalism* published in 1981 about Britain in the '70's, I sought to depict the spread of ownership in a modern society as moving outward in concentric circles.

At the inner core I suggested that we should place the three million-odd people who already owned shares directly in companies, and are already comfortable and familiar with the habits of equity ownership and of relying on a second income or resources to be called upon from outside their main paid work. The status and self-confidence of families in this category rests upon what they own as well as upon what they earn.

At the outer ring of the ownership circle, I place those families which are just beginning to be accustomed to the idea of having a few savings – 'a little bit at the back of them' as Iain Macleod put it in his famous 1968 speech to the Conservative Party Conference, where he dwelt prophetically on the theme of a nationwide capital-owning democracy.

In between lie the groups of families who have begun to think of owning as well as earning, begun to put money into unit trusts, received a few employee shares from the firm, maybe bought a few Telecom shares or (and this is for the future) received some national share or asset under a citizen ownership scheme, have decided to buy their council house instead of paying endless rent.

There is no reason at all why all these outer circles should not be steadily moving towards a solid, central ground of ownership as a firm, secure source of second income and support of living standards. Society will be more comfortable and secure if people rely less upon full time wages and more on capital resources.

The aim should be to make these bands ever narrower; and to encourage those on the outside to move step by step into the circles of the property-owning democracy of which all can be a part. Of course those who have no job at all at present, and neither skills nor understanding of how to create a job for themselves or to occupy their time satisfactorily, must see the prospect of actually owning resources as very far off – much further than the more immediate goal of earning a wage.

Yet it could well be that the miserable and baffling phenomenon of high unemployment constitutes not a rejection

of the ideal of a property-owning democracy but a direct challenge which this ideal can meet much better than other philosophies. Welfare collectivism and income redistribution have been able neither to perpetuate the full employment pattern of the post-war world nor to destigmatise involuntary unemployment.

The measures now required to untie this knot of traditional attitudes and to mount a genuine (not just a rhetorical) challenge to centralized monopoly and economic power, are not marginal at all. If properly assembled and coherently put forward, they constitute a new policy for capitalism of the utmost boldness. Certainly, they involve an egalitarian zeal which will seem foreign to many, although not to all Conservatives, and an active government policy to promote capital distribution of a kind which may well make conventional market economists – and certainly the macro-economists with their central levers and aggregates – fidget uneasily.

Conclusion

A decade ago, opinion-formers spoke of the ungovernability of British society. Trade union power, they said, was unbeatable. Consumer demands were insatiable. Pressures on central government to deliver the results by a wave of the wand were unsustainable. Very few people accepted that wide personal ownership had any part to play in resolving these problems.

Today the union pressures have subsided far below the level that many people hoped or expected. Trade union rank and file members no longer blindly support militant politicised unionism. Local and plant interests are taking precedence over national class-war strategies. 'Profits' is no longer a dirty word.

Can all this be, as the Left claim, due to the widespread fear of unemployment? To believe *that* may comfort some people, and obviate the tiresome need for further political thought. But adherents to the belief are blind to the much larger forces at work. Millions of people are now beginning to see themselves as potential proprietors of the economy and society – as stakeholders rather than as wage slaves.

It is from a thorough understanding of this new mood that the policies needed for today and tomorrow must come: from an understanding that the social and economic landscape has, to a considerable extent, already changed and that policy priorities must change too.

The cause of wider personal ownership has over the years enjoyed a fair deal of verbal support, and is now generally acknowledged as 'a good thing'. My purpose this evening has been to show that the social goal of *vastly* broadened personal ownership is not just a pleasant desideratum but is absolutely essential – indeed the highest priority of all, if we are to make real progress in solving the major social problems of our age. It is the crucial policy idea that fills the yawning gap left by the obvious failure of macro-economic strategies, which once promised so much.

It has also been my purpose to suggest that this is the way that society is, in any case, heading, since micro-electronic technology and radically changing patterns of work are helping to loosen up and decentralize society. The new economic debate, the pace of technological advance and the intellectual mood, all reinforce each other.

In short the bold and visionary idea of widespread capitalism as an efficient alternative to the socialist state is one whose hour has well and truly arrived. It offers a way forward towards the goal of a fully-occupied, stable, prosperous and socially responsible society, at a time when all the grand strategies of economics are in intellectual disarray. With or without the ministrations of politicians it is the shape of things to come – in fact, of a world which is already being born.

The wise rulers will be the ones who recognise this reality, respect it, encourage it and build their policies upon it.

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