



AUTUMN ADDRESS

# Gentrification or Growth

cultural causes of economic failure

Sir James Goldsmith



CENTRE FOR POLICY STUDIES



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This is the text of the controversial speech delivered by Sir James Goldsmith in the foyer of the Opera House in Blackpool on the evening of 10 October 1985. The views he expressed are, of course, entirely his own. The Centre for Policy Studies, while delighted to offer Sir James a platform and to bring his speech to the notice of a wider public in this pamphlet, *never* expresses a corporate opinion. It welcomes cogency of argument, originality of thought and vigour of expression.

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# Gentrification or Growth

TRADITIONALLY THERE HAVE BEEN TWO MAIN SYSTEMS WHICH CAN LEAD TO PROSPERITY AND A VIGOROUS CIVILISATION. One is based on imperial conquest. That is the Roman way and the way proposed by Soviet Russia. Such a system needs discipline and a strict hierarchy. The other is based on freedom. That is the mercantile way. In a mercantile society, all citizens are free to work to improve their position. They can aim as high as their personal vision allows them to see. Their rewards will vary according to their ability, determination and luck. Individually their effort is motivated principally by personal and family ambition. Collectively their effort will build a prosperous community.

In a failing society, which is unable to sustain prosperity, prosperity itself is derided. The élite suggests that somehow it is incompatible with a civilised way of life. In reality it is prosperity which allows many of the most agreeable aspects of civilisation. The cultures of Athens, Florence, Venice, to name only a few, were founded on prosperity from commerce. A prosperous society can take a long view and can invest in such vital projects as protection of the environment, beautification of the cities and countryside, the establishment of centres of learning and of art. Poor communities have to struggle from day to day. Only a prosperous society can offer optimum opportunities for employment. Only a prosperous society can offer proper help to its disabled. As has often been said, the Good Samaritan was a successful merchant.

My purpose this evening is to try to analyse the British experience and why it is that, over the past decades, Britain's relative prosperity has declined dramatically. Not long ago, Britain was among the most prosperous nations of the world. Today, among industrialised countries, it is one of the poorest. British industry has been unable to compete. Since 1948 Britain's share of world trade in manufactured products has dropped from 29% to about 5%.

Why is it that despite the salutary measures taken since 1980 by this Government, the economic recovery has been relatively

slow? To be sure there has been a real recovery and it can be measured in terms of job creation, growth in GNP and diminishing rates of inflation. But the recovery seems to be driven by only one cylinder. Why?

I am not going to concentrate on the abuses of Trade Union power nor on the destructive effects of socialism. They are very real but they are well documented. I would like to dig deeper. What is it that has driven so many decent British people to support a Trade Union movement which has devastated one major industry after another destroying employment and prosperity? Why have so many decent people supported socialism despite its proven effects on industry, the economy and personal freedom? This last point has always seemed a particular mystery. At the height of socialist power, under Jim Callaghan, the British people, historically proud and independent, had been willing to accept quite extraordinary constraints on personal liberty. There were wage controls, price controls, exchange controls, closed shops, taxation of up to 98% on income from savings, State control over about 60% of the GNP, as well as the whole apparatus transferring family responsibility to the Welfare State. The average Englishman was no longer free to choose the school to which he sent his children, the doctor who cared for his family, the hospital to which he sought admission. He was no longer free to sell his labour for the best market price, nor to work for a company without first paying obeisance to the Trade Union which, by law, he was forced to join.

The loss of so much personal liberty was partly the result of the desire to transfer to the State many of the traditional responsibilities of the family. Also the State took over the task of fixing, on a nationwide basis, with the Trade Unions and the employers, salaries and terms of employment. The transfer to the State of these extensive responsibilities resulted in a corresponding transfer of power with the inevitable loss of personal freedom. Nonetheless, it is surprising that free men and women were willing to concede so much of their fundamental liberty.

To understand this evolution, I believe that we must start by stepping back and looking at the period following the industrial

revolution. At that time a new and successful industrial middle class was emerging. The reaction of the old ruling class, and subsequently of the old Conservative Party, was one of distaste. Later this was fostered by the intellectuals who created the environment for political thought; men such as Arnold Toynbee, Arthur Bryant, G.M. Trevelyan and others, were hostile to industrialisation. They variously described industry as philistine, competition as predatory, commerce as debased and considered the whole thing as rather vulgar. The Conservative Party agreed. Despite being the heir to a successful industrialist, Baldwin disliked liberal capitalism. 'Laissez faire' he said, was as out of date as the slave trade.<sup>1</sup> Later Macmillan stated that 'Toryism has always been a form of paternal Socialism'.<sup>2</sup> Lord Hinchingsbrooke, representing the Tory reform committee announced that 'True Conservative opinion is horrified at the damage done to this country by individualist businessmen . . .'.<sup>3</sup> Quintin Hogg, now Lord Hailsham, criticized capitalism as an 'ungodly and rapacious scramble for ill gotten gains . . .'.<sup>4</sup>

In such a climate, businessmen lost their confidence. At the very moment of its triumph, the entrepreneurial class turned its energies to disguising itself in the image of the class it was supplanting. To be accepted, successful businessmen went through an accelerated process of gentrification. They became ashamed of the very virtues that created their and their nation's success.

The hunger for gentrification led to a consolidation of the class system. Progressively there was a mingling of the old landed aristocracy with the new industrial class and the emergence of a gentrified middle class. This middle class sought to distance itself from the working class whose values were uncomfortably reminiscent of those of which, so recently, they had become ashamed.

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1 See Cowling, M. *Impact of Hitler*, (Cambridge 1975) page 52

2 Beer, Samuel. *British Politics in the Collectivist Age*, (New York 1967) page 271

3 Addison. *The Road to 1945* (London 1971), pages 232-33

4 *The Case for Conservatism*, (London 1947) pages 51-52

And so emerged the extraordinary upstairs/downstairs society. Upstairs, admiration was reserved for amateurs, dilettantes and a somewhat effete set of values which were supposed to represent a cultured way of life. Adventurers, risk takers, tough and ambitious professionals were considered rather uncouth and vulgar. To be a good loser was more important than to be a winner.

Downstairs were trapped the old and earthy British virtues of vigour and vitality.

Of course there was some movement on the staircase. But on the whole, those who moved up were expected to adopt, or pretend to adopt, the mores of their betters, including the clothes that they wore and the accent in which they spoke.

It was inevitable that these two nations would one day struggle for supremacy.

To prepare for this struggle, the underclass was offered the Trade Union movement and socialism. By uniting within trade unions and transferring extensive powers to their bureaucracies, they had a weapon with which to fight. By promoting an omnipresent State, they could create a powerful structure, strong enough to humble the upstairs people.

And so Britain found herself with a devitalised overclass ashamed of the values needed to succeed and an underclass no longer willing to accept its pre-ordained position and whose vigour, instead of being used to build a successful community, was alienated and misguided.

It is against this background that a number of significant facts fall into place:

- 1 The overclass went on the defensive. They were frightened by change. Change would challenge the existing order and jeopardise established privilege. So the rate of change had to be kept as slow as possible. The strategy was to compromise. This was explained to me some years ago, in New York, by Lord Poole. At that time Poole was a prominent merchant banker. After the war, he had been Chairman of the Conservative Party. Poole explained that when the Conservatives lost the General Election in 1945, Harold Macmillan, Rab Butler and he

decided to work out a new post-war strategy for the Conservative Party. He explained that, for them, the fundamental question was not whether Britain would be socialist or conservative, but whether a socialist Britain would be better administered by a Conservative Government than by a Labour Government. They had accepted the idea that the tide towards socialism was irreversible and that they should adjust to accommodate it. So successive concessions to socialism were made in the hope that this would slow the anticipated drift to the left.

- 2 The gentrification of the overclass created an extraordinary opportunity for those who were neither infected with this disease nor were trapped in the underclass. This explains the success achieved by that relatively tiny band of immigrants from Australia, Canada, South Africa, as well as Jewish and other miscellaneous groups. Is it not extraordinary that this small group of people should have created I.C.I.; Shell; Marks & Spencer; Great Universal Stores; Thomson International; News International; Beaverbrook; Associated British Foods; Thorn; Trusthouse Forte; Tesco; Sears Holdings; Grandmet; Land Securities; S.G. Warburg; and so many other great British companies.

The common denominator was that most of these people came from humble origins, were not trapped in the upstairs/downstairs culture, and had not been devitalised by gentrification.

They were free men who were not prisoners of the British caste system.

Now look at those of Britain's great companies which have been run by people who were indeed prisoners of the system. The directors and management of such companies are seldom capitalists or entrepreneurs. More often they are honourable functionaries. Unfortunately their pay is poor because high pay is culturally unacceptable in Britain. In any case it would be confiscated by inordinately high tax. So profitability and risk-taking became less important than respectability. For them, it is important to avoid controversy and 'rocking the boat'. The ultimate reward



consists of the symbols of acceptance by the overclass. I always think of Dunlop, Distillers and the Joint Stock Banks as examples of the many great companies that fall into this category. The Savoy Group is another. Compare its record with that of Trusthouse Forte or Grandmet.

3 The far left was also handed an opportunity. They were able to exploit the grievances of the upstairs/downstairs society. They could foster resentment and envy and aggravate the class conflict. Throughout the world, the far left harnesses such genuine causes so as to guide them to Marxist Leninism in the furtherance of their totalitarian ambitions.

4 The recent outcry about the salary increases to 'top people' can be understood in this context. Let me remind you that the sequence of events was that the Government increased salaries of judges, generals, very senior civil servants etc. The socialists reacted by screaming that this was an outrageous example of class privilege. The gentrified overclass reacted by saying that the Government had made a bad psychological mistake and that this was yet another banana skin. What was the reality? In fact, the salaries, after tax, of these people were absurdly low. They were the equivalent to the amount earned by relatively junior management in competitive international companies and a small fraction of the amount earned by their top people. But the far left was able to exploit the incident because too many of the 'top people' in question are drawn from the overclass. So it could be made to look like class abuse. The gentrified middle class behaved as expected. They were horrified by any firm action, terrified by the outburst from the left and, as usual, started to apologise. It is significant, is it not, that there should be such resentment when 'top people' earn some money but not when 'ordinary people' win pools, or when pop-singers become multi-millionaires, or when Arabs become billionaires. The 'top people' are perceived as being from the overclass, the others are not.

There is no such loss of will in Mrs Thatcher. She still has all

her vigour. She could clearly see the ravages of socialism. She understood that Britain had to recover her desire and ability to compete. And that that depended, not on disembodied theories of planning, but on the vitality of the people. She understood that that vitality had to be rekindled by radically cutting back the suffocating powers of the State, returning responsibility to individuals and motivating them by allowing them the possibility of success and rewards. It was strong stuff and that is why the patricians and the trimmers in the Conservative Party, the descendants of Macmillan, Butler and Poole, resented her. As we have seen, for them, triumph consists of losing slowly.

But Mrs Thatcher failed to see the origins and the causes of the disease that she was fighting. To dismantle the swollen powers of the State and the Trade Unions was, of course, right. But it had to be accompanied by a similar dismantlement of the class structure. Otherwise how could the underclass accept such unilateral disarmament? Their principal weapons, the socialist State and the special powers of the Trade Unions, were being taken away and they were being left trapped in a structure which they considered oppressive.

That is why Mrs Thatcher now must convince her Party to lead a great national revolution. She must aim at systematically and radically eliminating every vestige of the class system. She must liberate the vast latent energies of the people. She must convert Britain into a truly meritocratic society firmly based on the reality of freedom and opportunity for all. That is what will create a national renaissance.

The Labour Party cannot do this because it is now Marxist/Leninist. For them, individual freedom must be sacrificed to an all powerful State assisted by dominant Trade Unions.

The Liberals and Social Democrats cannot because they have already rejected all hard options and have opted for slow and woolly national decline but with a comfortable, do gooder, exclusively middle class, conscience.

Only a Conservative Party, reaching out to the future and no longer pining for the past, can point the way.

Let me make a few suggestions for an initial agenda:

## 1 **A Bi-Cameral Parliamentary System**

Britain needs a credible and strong second chamber. At present the House of Commons has absolute power. There is no constitution and no Supreme Court to restrain that power. There are no checks and no balances. A disciplined majority in the House of Commons, which in the recent past has been obtained with the votes of as little as 29% of the electorate, has total, uncontested dominion over the nation.

The House of Lords, no matter how good or bad its debates, no matter how 'civilised' its environment, is not credible. It is a relic from the past. About 70% of its members are hereditary and represent a miniscule and relatively inactive part of the population. Many of the remainder are there as a mark of respect at the end of their careers.

The present state of the House of Lords has been a cause for satisfaction to successive governments, both Labour and Conservative. An ineffective House of Lords ensures the absolute power of the House of Commons. The socialists have the additional benefit of using the House of Lords as a symbol of the class system. So without outside pressure, the Prime Minister of the day and the House of Commons is happy to protect and perpetuate this impotent anachronism.

The House of Lords must be converted into an effective, powerful and responsible senior chamber – a British Senate. Its electoral term should be longer than that of the Commons so as to ensure a more strategic, rather than tactical, outlook. Its members should be elected in a complementary and not a similar way to membership of the other house.

My preference would be to elect representatives from the regions for staggered seven-year terms. Also I believe that membership of this House should be of particular importance, so there should be substantially fewer members than in the Commons.

## 2 **Primaries**

It is fundamental that selection of parliamentary candidates be made through primary elections in which all party supporters can vote. In Britain, many parliamentary constituencies are historically Labour or Conservative. If selected as Labour candidate for a constituency like Ebbw Vale, even a donkey would have been elected. If selected as Conservative candidate for a constituency like Chichester, even a goat would have been elected. In such constituencies, it is the selection committees which, in effect, appoint the Members of Parliament. The electorate no more than rubber-stamps the choice of these committees.

At present, both Labour and Conservatives have methods of selection which are profoundly anti-democratic. Many Labour selection committees have been captured by the militant left. They select candidates who represent extremist minorities and not the views of Labour supporters as a whole. Conservative selection committees are dominated by the overclass. They represent the values of that class and this makes it extremely difficult for the underclass to feel at home in the Conservative Party. Of course many members of the underclass vote for the Conservatives because they abhor socialism. But the majority of those who do so, do not feel that they, themselves, are natural Tories.

## 3 **Arbitrary Power and the Law**

This Government has done much, although not yet enough, to curb the abusive powers of the Trade Unions. But it has done nothing to curb the abusive powers of the establishment.

Throughout Britain, in almost every walk of life, in every profession, there are groups of people who wield great and quasi-judicial power. They might be called councils or committees, quangos, qualgos, associations, boards of governors or what have you. In reality they are self-perpetuating oligarchies, usually drawn from the

overclass, whose main task is to protect established privilege.

Often these committees have the power to adjudicate on matters of very great importance to those working or wishing to work in the fields of endeavour which they regulate. Often the criteria used by these committees are not whether the individuals concerned have the talents necessary to succeed or the right to try. They are more interested by whether the face fits. That means whether they are part of the overclass or, if not, whether they have paid sufficient homage to it. Have they been willing to adopt or copy their mores, do they wear the right clothes, do they speak in the right voice, are they satisfactory Uncle Toms? If not, invisible barriers are erected. Usually they are erected in secret session and the individuals concerned are not informed why adverse decisions are taken. And they have no right of appeal to the nation's courts. These magic circles are often given special rights and privileges which protect them from legal action by aggrieved individuals. Like the Trade Unions they have been placed above the law.

Even the present radical Government has fallen for the proposition that the magic circles offer self-regulation and that the alternative to self-regulation is bureaucratic regulation. That is not so. When regulation is really necessary, laws can and should be clearly set and the judiciary should be responsible for ensuring that they are respected. The judiciary would do this in a dispassionate way without prejudice or privilege.

In any case can there be a greater inhibitor of energy than a national network of powerful committees devoted to protecting established privilege, blocking change and thwarting people who might 'rock the boat'? In Britain today the boat needs to be rocked everywhere.

The magic circles should be stripped of all judicial or quasi-judicial power and all special legal privileges which protect them from the consequences of their actions. Let me quote Edmund Burke, one of the prophets of

conservatism, 'Law and arbitrary power' he said, 'are in eternal enmity'.

#### 4 Education

Education in Britain is a reflection of the diseases that wrack this nation. The private sector consists substantially of students selected from the overclass on the criteria of wealth and birth. As is to be expected, the public sector is a misguided reaction to the private sector. It seems to be based on the idea that streaming according to merit is evil and that it is socially destructive to promote the gifted faster than those who are less so. So you get the worst of all worlds.

What is more, these two parallel streams of education divide the nation at an early age and consolidate the class system.

The streams should be unified. That does not mean destroying the public schools and remaining grammar schools. On the contrary there should be no monopoly or semi-monopolies on education. There should be a great polyculture of schools, all competing one against the other. This would include schools run by religious groups, by teacher co-operatives, by charities, by private enterprise, by local communities, and even if absolutely necessary by the State. And there should be some form of State voucher system which would allow parents to choose. They should be free to use that voucher in any kind of school. They should be free to apply for entry for their children in any school. When the number of applicants to a particular school is greater than its capacity, then the criterion used to pick successful applicants should be personal merit.

You will notice that each of these proposals has a common denominator – their purpose is to increase the rights of individuals. Individuals would be able to elect the members of the senior house of Parliament; individuals would be able to elect their party's parliamentary candidates; individuals would be free to pursue their lives without arbitrary action from magic circles

and could take those privileged groups to court; individuals could choose for their children from a variety of schools. That is what needs to be done everywhere in the nation. There must be individual freedom and the Conservative Party must be the guardian of that freedom.

Before concluding, I will make one final point. Some will look at the miners, who during the recent strike, fought brutally and unlawfully and they will look at the football hooligans and they will conclude that these people are just subversives or criminals. I see it differently. My conclusion is that it is a tragedy that all that vigour should be alienated and should be used to destroy rather than to improve. I believe that the question which needs to be asked is how to liberate that energy. My point of view has much in common with the view from the far left. They also can see the energy, the resentment and the anger. They, too, want to harness it. But their purpose is to use it politically to further their totalitarian ambitions. Marxist/Leninist and Communist politicians are using the vigour and vitality, which are trapped in the underclass, so as to turn them against the nation. That is what is happening throughout the country and more particularly in many Trade Unions and municipal governments.

In a great civilisation people are individually free; they have equality of opportunity; they are united in a common objective. None of these circumstances exist in Britain today. If the nation is to be saved, this must be recognised and put right. And let it not be forgotten that those who are not willing to fight for their freedom deserve to be enslaved.

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