

## Foreword by Hugh Thomas

Those who plan the unplanning of Britain owe a great debt to Lord Harris of High Cross—or Ralph Harris, as we have known him for a long time, at the Institute for Economic Affairs. With Arthur Seldon, Ralph Harris inspired, over twenty years ago, the beginning of economic scepticism about the benefits of interventionism. With single-minded skill they turned what seemed at the beginning a school for dissidents into what may prove to be a new orthodoxy. Perish the thought, though, that anything which Ralph Harris touches should have so heavy a name. This lecture delivered at a meeting organised by the Centre for Policy Studies in the wings of the Conservative Party conference in October 1980 is a good example of why that is impossible.

*Hugh Thomas*

This pamphlet is based on a lecture given by Lord Harris of High Cross to a meeting held under the auspices of the Centre for Policy Studies at the Metropole Hotel, Brighton, during the Conservative Party Conference in October, 1980.

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## THE CHALLENGE OF A RADICAL REACTIONARY

Although I sit on the cross-benches in the Lords, I am delighted to appear on a platform sponsored by the Centre for Policy Studies. As I understand it, the Centre's purpose is to enliven the pragmatic Conservative tradition by exposing it to intellectual fermentation. If you think some of my strictures rather pointed, don't take them too personally. Imagine I am addressing some high Tory paladin to whom I might refer from time to time symbolically as, say, Perry.

The Centre was created in 1974, not before time, on the morrow of the well-merited collapse of Mr Heath's Government. Tory apologists for convenient compromise have long loved to denounce theory as ideology, dogma, or even theology. Its ancestral voices prefer to boast of practical judgement, realism, deciding issues on their merits, maintaining balance, defending the mixed economy, dare I say the middle way?

### Neglect of intellectuals

Yet the Conservative Party—or its Whig predecessors—were not always hostile to intellectuals. Witness the influence of Edmund Burke, David Hume and Adam Smith on the nineteenth century policies of both parties. Over the past century suspicion of intellectuals may be more understandable: the dominant trend was set by Marxists, Fabians, pseudo-Keynesians, Beveridgeites or other carriers of collectivism. Lacking any distinctive theory of economic or social policy, Conservatives failed to join the intellectual battle and fell back into a rear-guard action of slowing the pace of unwelcome socialism. More shamefully, the nominally Liberal Party, especially after 1905, abandoned its historic role as guardian of the classical philosophy of individual freedom in a vain effort to ingratiate itself with the emerging trade unions, leaving no principled opposition to the cumulative encroachment of state power over the lives, liberties, incomes and property of the citizens.

The progressive victory by intellectuals of the Left which accelerated after 1945 bears testimony to Keynes's judgement that it is ideas rather than vested interests that rule the world:

*'Practical men who believe themselves exempt from any intellectual influences are usually the slaves of some defunct economist.'*

In a reference that would seem to anticipate Wedgwood Benn, Keynes continued:

*'Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.'*

He concluded:

*'I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas'.*

Please note, my dear Perry, the argument is not that Conservatives should defer to intellectuals because that motley crew possess special scholarship, knowledge or even intelligence—in all of which some of them are sadly deficient. Intellectuals are not predominantly seminal thinkers, like Adam Smith, Keynes himself, Hayek or even Marx. They are mostly what Hayek called 'second-hand dealers in ideas'. Their importance stems simply from their roles as writers, teachers, preachers, broadcasters, producers, in spreading ideas until they come to dominate popular opinion.

Yet it is not surprising that the general run of intellectuals has been drawn towards collectivist ideas. Teachers and journalists are recruited from people who preferred not to go into trade or industry. You may recall the quip: Those who can, do; those who can't, teach!

For such unworldly people, at least until recently, visionary speculations about transforming society were bound to have a stronger appeal than appearing to defend the establishment or, at best, seeking piecemeal reform. The less detailed knowledge a teacher or writer or artist has, the more easily he will fall for 'planning', social engineering and specious proposals for restructuring industry—or indeed the world.

There are two less reputable reasons why intellectuals have erred towards collectivism. The first is that the tightening grip of government control naturally holds less terror for most elites who see themselves as controllers rather than controlled. The second reason is that it takes more subtlety and more humility to grasp the Smithian concept of spontaneous coordination through the market system—or the Hayekian insight of the market as a discovery procedure—than to suppose that order and progress can be imposed by able and well-meaning people—such as they imagine themselves to be.

### **Conservative collectivism**

We should not therefore be surprised that Conservative leaders since Baldwin have most often scorned intellectuals—usually lumped together as 'socialist intellectuals'. This myopia helps explain an otherwise baffling paradox. As collectivist ideas have increasingly shaped policy and institutions under Liberal, Labour and Conservative administrations since, at least, the early years of this century, Conservatives have found themselves drawn deeper and wider into defending socialist collectivism as part of the established order.

In other words, as the collectivist cancer took stronger hold on the mixed economy, the consensus broadly upheld by all 'serious' politicians moved even further to the Left—until it seemed natural to all but cranks at fringe meetings that governments made up of people who have never run a wheel stall should casually dispose at weekly cabinet meetings of more than half the national income.

The Conservative Party's unprincipled compromise with collectivism was aided by several strands in the Tory tradition. In the first place, all good Tories believe as you and I do Perry—in *strong* governmental authority. This desideratum of effective administration is too easily confused with *big* government—which is quite different, and beyond some point in conflict with strong government. Secondly, Tories believe—as we do—in national strength and patriotism. Alas, as with the mercantilists, though with less reason, Conservatives have often confused national power with protectionism and planning, which weakens economic efficiency and progress on which power and influence abroad ultimately depend. Finally, Tories traditionally incline—as you do Perry—towards paternalism. This well-intentioned self-indulgence makes it easy to confuse a generous disposition towards personal, voluntary charity, with a state-enforced duty to pay for so-called social welfare by taxation that lacks the moral merit of free will and undermines individual self-help and responsibility.

### **Private property is not enough**

It remains true that Conservative rhetoric has always preferred 'private enterprise' to state industry. But more acquaintance with economic theory would have taught them that there is no social virtue in privately-owned firms unless they operate in a competitive market economy. It is the market which gives the consumer sovereignty, and competition which acts as an invisible hand to convert private profit-seeking into a search for better ways of serving the general interest of consumers.

Conservatives have suffered electorally by being branded as defenders of the profit system. Yet they have often been prevented—are you there Perry?—by snobbish contempt for trade from championing the market economy as the only system that can be relied on to benefit both the producer and the customers. Why would willing buyers and willing sellers come together in voluntary exchange unless there were mutual gains to be had from trade? In a competitive economy there is no conflict between 'production for profit' and 'production for use': profitability is the measure of the usefulness of social output judged by individuals spending their own money.

Although Conservatives defend private property—rightly—as buttressing political independence, they lack an economic theory of property rights. Yet the classical theory is available to show how a competitive market economy can provide the structure of incentives and penalties that will check the possible abuse of the power that private property confers.

Nor is it only Conservatives who have failed to understand and exploit the truth that the most extensive property right is not capital, land or even home ownership but labour. Ponder the eighteenth century periods of Adam Smith:

*'The property which every man has to his own labour, as it is the original foundations of all other property, so it is the most sacred and inviolable . . . to hinder a man from employing his strength and dexterity in what manner he*

*thinks proper without injury to his neighbour is plain violation of his most sacred property'.*

Had Conservatives grasped that central truth, they could hardly have waited so long before attempting to redress the gross privileges of trade unions that have shifted the property rights in labour so far away from the worker and towards those leaders who exercise the corporate power of the union for their own political or personal interests.

### **Fallacy of consensus and mixed economy**

Conservatives have often been led by national sentiment to claim that cooperation and consensus are preferable to competition and conflict, and have sometimes even flirted with corporatism—collusion between Government and what Keith Middlemas<sup>1</sup> called ‘oligarchic interest groups’ such as the CBI and TUC. They have failed to see that fashionable consensus is no more than a complicity of ruling elites in growing government, taxation, bureaucratic trade union power that the majority resent or reject. They have failed to grasp that a market economy is the only method by which complex societies can practice fruitful cooperation between millions of free consumers and hundreds of thousands who serve them in competing for their custom, guided spontaneously and harmoniously by changes in relative prices (including wages) established in a competitive market economy.

So my dear Perry, I come to the main burden of my charge against the Conservatives: intellectual failure. Lacking any coherent, distinctive economic theory, too many Conservatives have failed to understand that the mixed economy is not a stable equilibrium that will obligingly stay put while the two parties dispute who can run it more efficiently. Since 1900 there has been a cumulative progressive shift away from dispersed private initiative and individual responsibility.

The danger for you Conservatives who generally feel more at home with conventional orthodoxy is that you begin to defend the mixed-up economy compounded of conflicting principles as though you really believed in it. The trouble with social democracy is not that it is half right but that it is all wrong. It is wrong, not least, in its belief that government can have the power and knowledge to shape the economy and society to its benign purposes, without mounting coercion that threatens democracy itself. That is why Wedgwood Benn is logically driven towards the Eastern European model of ‘people’s democracy’.

Let me admit that the Conservatives have been at a disadvantage in combating the ratchet effect of ever-increasing socialism. For example, in two of the worst afflictions of our economy—rent control and state industry—Labour opportunism in opposition can paralyse Conservative reform or make it more difficult by threatening to reverse decontrol or denationalisation—perhaps without compensation when they return to power.

<sup>1</sup> *Politics in Industrial Society*, 1979

Yet Churchill—whom I would claim as a Liberal-Tory of the better kind—introduced commercial television which Labour threatened to reverse, but never did. His success was partly due to implementing the change in good time for people to enjoy before the 1955 election. If the present Government has learned from that lesson, they might have followed Peter Walker in letting council tenants get their hands on the title deeds of their houses without waiting five years for ownership of the equity after the next election.

### **The last brave stand**

But before considering tactics and strategy, we must get our thinking straight. My central criticism is that, with such notable exceptions as Enoch Powell in olden times and Sir Keith Joseph more recently, too few Conservatives have started by deciding what is economically or socially desirable before resorting to feeble compromises over what is thought for the time being ‘politically possible’. A more secure grasp of classical economic analysis might have prevented Conservative leaders from establishing the NEDC in 1961, welcoming Labour’s National Plan in 1965, launching the Industry Act, becoming embroiled with incomes policy in 1972 (complete with Price Commission, profit and dividend control), writing off their share of £25,000m in subsidies to nationalised industries since 1960, and pumping up the money supply in 1972-3.

The last brave stand—until Mrs Thatcher came to power in 1979—was in 1958, when Peter Thorneycroft and his two Treasury colleagues tried to stop the remorseless subordination of taxpayer and private economy to the insatiable demands of state spending—and were driven by failure to resign from Mr Macmillan’s Government. It was ‘Butskellism’ that prepared the way for ‘Bennery’.

I thought that had the Conservatives grasped the decisive role of intellectuals and their ideas, they would have added another dimension—an independent ivory tower—to Conservative Central Office, in effect by creating the CPS almost twenty years earlier than they did. I recall writing to R. A. Butler and Iain Macleod along those lines at the time. They might have been in time to prevent the post-war consensus from congealing into the Keynesian-collectivist mould that now makes Mrs Thatcher’s task of radical reform appear so much more contentious and difficult than it should have been.

### **Reactionary on principles . . .**

But by 1958 I had broken loose from the Conservative Party and started up the Institute of Economic Affairs where, with Arthur Seldon and growing numbers of others, we tried to practise what I am now preaching. So I stand before you as a humble unattached intellectual to commend the approach of *radical reaction*. This vantage point was described (in an IEA book of that title in 1961) as ‘being *conservative* about the principles of a free society but *radical* about the measures necessary to ensure its dynamic operation and continuing evolution’.

There is no such thing as an objective, value-free economic theory or policy. All economists should be asked to come clean about their guiding principles or prejudices. How do they rank efficiency, growth, amenity, equality, variety, choice? For my money, the over-riding principle, about which I feel passionately conservative—even reactionary—is the preservation of maximum freedom of choice for all my fellow men and women as individuals, as both producers and consumers—the maximum freedom consistent with safeguarding the like freedom of others.

I personally uphold individual choice even more on moral and political than on economic grounds. Of course, the market economy is more efficient than central direction because we are all generally more ready to put forth our best exertions for causes we choose for ourselves than for what others declare to be the 'national interest'. Of course, market economy and individual economic freedom provide the indispensable under-pinning for intellectual, political and civic liberties. But towering above such economic and political calculations is the *moral* merit of acknowledging the unique individuality of our fellow men and, therefore, the desirability of leaving the reins of their destiny so far as possible in their own hands. On this issue I find myself in almost complete agreement with T. E. Utley's recent Research Department Paper, *Capitalism, The Moral Case*.

But before anyone invokes the ghost of *laissez-faire*, let me emphasise that freedom of choice is not possible in a vacuum. First, there must be a framework of laws and institutions to prevent the rule of force and fraud; that much was acknowledged by Adam Smith in 1776. Secondly, there must be a guaranteed minimum income for people who, through no fault of their own, cannot maintain a civilised standard in the market economy. This has nothing to do with the phoney 'compassion' of social democracy but dates back, at least, to the 1601 Elizabethan Poor Law.

Finally, government has to provide a number of services which cannot be supplied by competing producers catering for consumer choice. Again, there is no debt to socialism. This duty follows from the existence of a technical category of public goods, like national defence and law and order, which governments must provide. The reason is not that they are 'important', since food, shelter, clothing are less essential but can be supplied in the market to people who pay their money and take their choice. True public goods provide indivisible services: they are consumed collectively or not at all and can therefore be supplied and financed only on a collectivist basis from compulsory taxation.

So the *reactionary* will stubbornly defend individual freedom of choice except where it must be over-ruled by government coercion in deference to such specific requirements of an orderly society as I have touched upon. Individual freedom can be enjoyed only under the rule of law common to all citizens; as Hayek has taught, it requires a system of general law that

safeguards private property and does not confer privileges or income on any politically—favoured groups of producers.

### **. . . but radical in policy**

All reactionaries in my sense must soon become radical when they reflect how far we have strayed from such a conception of limited government and, therefore, how extensive are the reforms necessary to reduce the coercion of individuals by state control, regulation and taxation, to cut government down to the modest scale required to maintain a free society.

I certainly pay tribute to the present Conservative government for making a courageous start with radical reform—by abolishing exchange control, reducing income tax, repealing pay and price policy, and making a start with denationalisation in road transport, airways, aerospace, ferries, docks, buses and North Sea oil.

But by 1979 the State had come to spend more than half the nation's incomes and to employ between a quarter and a third of the labour force; and so far Conservatives have failed to make any net reductions in total expenditure from the volume left by Labour. They have rightly shifted more spending towards such true public services as defence and police, but most of the so-called 'cuts' about which Labour complains are in the spiralling plans for future years cooked-up for the election by Mr Healey.

Why can't you see, Perry, that Mrs Thatcher has inherited a vast range of central and local government services which are not public goods—but could be better provided in the market if consumers paid lower taxes and rates and had more to spend by choice on, for example, all forms of education and personal medical care, libraries and art galleries, swimming pools and other sports facilities, marinas and motorways. Can it be that Conservatives are more fearful of change or of public opinion than they are of over-government and the politicisation of life leading to tension, conflict and even collapse?

### **Alternatives for choice**

A large part of the IEA's research and educational work since 1957 has been devoted to examining ways of shrinking this bloated public sector. The prize to be gained by reducing government spending and taxing would be nothing less than spreading throughout welfare and local government services that boon of free choice we all take for granted when spending our own money on food, clothing, kitchen equipment, motor cars, hobbies, holidays, home ownership, insurance, hi-fi and fashion gear, not forgetting, my dear Perry, fancy waistcoats.

There are a variety of alternative policies available for Conservatives who are prepared to join the swelling ranks of radical reactionaries. 'Free' services for all are not necessary to help the declining minority who cannot pay their own way in welfare. A better approach would be a reverse income tax, that is, cash subsidies to top-up low incomes to the minimum necessary to enable recipients to pay the market price for essential welfare and other services of their choice.

Why should choice in welfare—including your favourite public school—be confined to people who can afford to pay twice: once in taxes for state services they don't use and then, again, from net income for the private services they prefer? Why not allow contracting-out? What's wrong with insurance? When will Britain join most other mature countries by allowing young people the freedom and responsibility of financing their own investment in university education by some variant of student loans?

There is no time to formulate similar questions on nationalised industries. I would simply assert that such as BR, NCB, BSC, and PO mail services have long-since ceased to serve their customers, to satisfy their employees or to pay their way. Only the deepest-dyed conservatives in the antique trade union movement or the out-dated Labour Party can suppose that these state services will be cossetted to survive indefinitely in their present debilitated form.

### **Advantages of the market**

A determined move towards more limited government would bring many advantages:

- it would replace state monopoly, in nationalised welfare no less than industry, by competing suppliers who would offer innovation, value for money and choice;
- it would weaken over-powerful unions that have fastened like leeches onto the carcass of misbegotten public services;
- it would return responsibility to individuals, parents, families, for choices in personal goods and services where preferences differ and uniformity has no more place than in food, clothes and homes;
- it would extend diversity, pioneering and voluntary charity that are among the glories of a mature free society;
- it would assist government in mastering inflation by removing the ever-present temptation to provide more services than the public will pay for in taxation—which has provoked tax 'avoidance' by the victims and inflationary printing of money by their oppressors.

In the past, the imperfections of the market provided a plausible pretext for politicians to extend government power. Yet we now find that government is even more imperfect and its apparatchiks even less capable of performing all the tasks laid upon them. Blemishes that economics textbooks call 'market failure' are dwarfed by the monumental failure of political education, medical care, nationalised industries and local government services.

Perhaps most serious of all for democracy, politicians of both parties have discredited themselves by trying to do what markets could do better. By extending their powers beyond their competence, they have appeared impotent or incompetent to discharge the essential tasks of government which should be their over-riding responsibility and which cannot be made good by markets if government fails.

It's no use, Perry, saying: 'This may be all very true, but radical reform is politically impossible'. Conservatives who share any of these radical-

reactionary ideals must raise their voices and join the intellectual battle. Recall Hayek's now encouraging view:

*'... once the more active part of the intellectuals have been converted to a set of beliefs, the process by which they become generally accepted is almost automatic and irresistible.'*

We are well on our way. Where have such spent intellectual forces as Balogh, Kalder, Galbraith, Shonfield, Shanks, Crosland, gone? And from where came such recruits as Sam Brittan, Peter Jay, Paul Johnson, Bernard Levin, Brian Walden, Lord Vaizey, Lord George-Brown, Sir Richard Marsh, Reg Prentice, Jo Grimond—even former-socialist Rhodes Boyson and shortly, perhaps, Frank Chapple?

### **Conservatives into battle**

At last there are signs that Conservatives are rejoining this intellectual battle. In September 1980, the CPS published a notable talk to the Bow Group by Nigel Lawson. Entitled *The New Conservatism*, it was a scarcely-concealed critique of his colleagues who have denounced ideology without realising they are guilty of elevating the mixed economy into a new vogue. Mr Lawson put his finger on the central error of Tories who may be said to have a high humidity count:

*'In the nineteenth century Conservatives could afford to disavow theory and affect a disdain for abstract ideas and general principles, for the simple reason that the theories, ideas and principles on which Conservatism rests were the unchallenged common currency of British politics. The rise of social democracy has changed all that.'*

Hence his call for Conservatives to 'fight the battle of ideas'. Plainly, it is not the present mixed economy that we ought to conserve. What urgently requires conserving is the underlying principle of the free society which this mixed-up economy threatens. The danger to freedom comes from the excessive power of the State and its entrenched bureaucracies over our incomes, jobs, family and social life. It is not a matter of ideology but of economic logic that *limitless* pressures on *limited* governmental resources can be relieved only by shedding functions politicians do not have to perform and have increasingly mismanaged.

How much longer before Conservative waverers, who pride themselves as realists—or even romantics, my dear Perry—recognise that overblown government cannot be cured by marginal tinkering or re-organisation of public agencies—any more than obesity can be cured by tightening belts or redesigning corsets? If we wish to restore credit and credibility to party politics, we must reverse almost a century of unprincipled and unsustainable growth in government. We now have to speed the climb back to reality by contemplating more radical measures to return the larger part of state industry and social welfare from centralised coercion—and the political manipulation witnessed last week at Labour's Blackpool conference—to dispersed initiative, competitive markets and wholesome freedom of choice.