History, Capitalism & Freedom

Foreword by the Rt Hon Margaret Thatcher MP

Centre for Policy Studies

Centre for Policy Studies
London 1979

First published 1979
by Centre for Policy Studies
8 Wilfred Street
London SW1
Printed by S S W Ltd
19/21 Great Portland Street
London W1

ISBN 0 905880 17 X

This pamphlet is based on a lecture given by Hugh Thomas under the auspices of the Centre for Policy Studies at the Metropole Hotel, Brighton, during the Conservative Party Conference in October 1978.

Had they read more history, and fewer polemical tracts, the Bolshevik party might have been able to foresee that indiscriminate application of violence overshadowed the order they meant to protect.

Richard Pipes

The purpose of history was seen by Livy and Tacitus not as writing an accurate account so much as passing on a tradition of public morality. They were using 'the material of past times in order to explore their own problems about the moral qualities of men or society'.

J.H. Plumb

A closer working contact with history might bring a double bonus of economic understanding.

John Jewkes

Foreword

by Rt. Hon. Mrs Margaret Thatcher, M.P.

'Much of our population lives without heroes, as it dies without religion'. Professor Thomas's powerful plea for restored pride in our past based on understanding of its greatness and unique qualities, is a reminder that a whole generation has been brought up to misunderstand and denigrate our national history.

Judging by Lord Acton's dictum that while only a foolish Conservative would judge the present by the standards of the past, only a foolish Liberal would judge the past by the standards of the present, our population has been indoctrinated with considerable folly. For the blackest picture is drawn by our Socialist academics and writers of precisely those periods of our history when greatest progress was achieved compared with earlier times and when Britain's was furthest in advance of other nations.

They are quite unaware that the Britain of the eighteenth and nineteenth centuries was admired and envied the world over for its liberty, for the comparative well-being of its inhabitants, for achievements in philosophy, science, arts and manufacturing, for its subjects' enterprise, patriotism and social conscience.

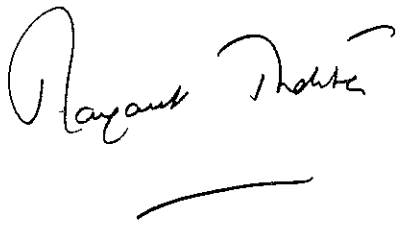
Professor Thomas is a distinguished historian who has turned his professional skills to restoring our picture of our own history by removing the falsifications painted onto it. He brings to our political concerns broad horizons and force of intellect worthy of our best literary traditions. But he does more than this. He leads us from past to present, from analysis to action.

His essay argues that Britain advanced so strikingly in the past not because of any material advantages or accidents of history, but because we were the freest of nations and that economic freedom was an essential element in liberty. 'Among the elements which play a central part in our institutional and cultural heritage is the contribution of enterprise to freedom' he writes, 'The contribution made by free enterprise to political

liberty is fundamental. There is no instance of political liberty existing without free enterprise and, furthermore, in every case that I can think of, free enterprise existed before the political freedom concerned. Free enterprise can thus be described as the midwife of political freedom, if you will excuse a rather Marxist metaphor.'

He concludes his essay, based on a talk given under the auspices of the Centre for Policy Studies at our Party's 1978 Annual Conference, by reference to 'the important line between those who look on the State's role in society as a limited, though never clearly defined one; and those who hope to use the State, or do not mind it being used, as a method of organising us all so that our individuality vanishes and we become simply a "supervised multitude of subjects". (The first group are not anarchists since they indeed believe that one of the weaknesses of excessive intervention in the economy is that the State actually neglects some of its essential tasks.) Quite obviously, the coming election draws this line between two ways of looking at the future of our nation more sharply than has been the case before, or, should I say, the leaders of the Conservative Party have wisely insisted on defining the issues in this manner.'

We have indeed so insisted. We are aided and encouraged in this task by the welcome accession of so eloquent a convert. *History, Capitalism and Freedom* will be read with pleasure for its style and colour no less than its content, and for its boldness in drawing practical conclusions which commit the writer no less than his readers.



History, Capitalism and Freedom

In honouring me by this invitation to speak here, the Centre for Policy Studies are making an imaginative gesture. I am not an economist, but an historian. I hope I am right in thinking that, in the long run, this must be a portent infinitely greater than such transient things as the change of party by myself and various other new Conservatives. This must be a sign that the long reign of economists over our affairs is drawing to an end.

Possibly, when all economists have been withdrawn to work in private businesses formed by selling off the nationalised patrimony over whose affairs they pontificated for so long, and inadequately, we may feel a certain nostalgia for the quaint private vocabulary of economists, their endless compound nouns, graphs, and even their quadratic quotations in the text; even recognise that a number of them, such as Professor Jewkes or Sir Denis Robertson and Lord Keynes write, or wrote, so well that they might almost be historians. But, though my presence here must be a portent, we cannot celebrate so soon. Extrapolation is with us still.

Sometimes, however, we already seem to have too much history thrust at us already. Yet the avalanche of historical films and biographies that reach the public through television or bookshops is not history as I understand it. It is a way of escaping from the present. It is the commercialisation of nostalgia.

Upstairs, Downstairs; the life of Rosa Lewis; Edward VII. Vast numbers have seen films on those themes and others on television. They may have reached the conclusion that they have been looking at history. Some may have said, to paraphrase Lincoln Steffens, that they had seen the past, and it worked. Those films were illustrations only. They made little contribution to our or anyone's knowledge of the past. I do not think many people were much the wiser about the limited matter of the constitutional problems raised by the abdication crisis after seeing the recent famous film about it.

Some of the real problems of history, however, are ones which determine contemporary politics, national politics and world politics alike. These include (and I must select my examples well, since I have been so rude): What are the real relations between the Russian despotism, established so long ago under the Tsars, and Marxism? Can Russia's behaviour in the twentieth century really be attributed, as it often is, to her 200 year domination by the Tartars in the late Middle Ages? Or, can one explain the relative poverty and lack of dynamism of South America, combined with an excessive respect for the State, to the discouragement offered by the long dead Spanish Empire to the growth of private enterprise and of a modern middle class? And can one compare that discouragement with the British attitude to private ownership of land in India, and to a native capitalism, which had some origins before the British arrived, under the Moguls? Or, even more interesting, is there a fundamental difference between the historical experience of the entire West, since the days of antiquity, and the despotisms of the East, a difference which Professor Karl A. Wittfogel argues, in *Oriental Despotism*, derives from the difference in a society which uses rain to water crops and one which needs to organise, at vast cost and with a huge labour force, a large hydraulic system?[1]

How many foolish misconceptions are there held about even the recent past. To take one trivial but telling example: I recently heard, on the World Service of the BBC, the Philippine Minister of Agriculture, a Mr. Tanka, reporting on a visit to Cuba. He explained that Cuba was now doing very well with its dairy herds and was now responsible for 50 to 60 per cent of its own milk.[2] Hurray! In 1957/58, it produced 77 per cent of its own milk.[3] But who was present to divert our foolishly enthusiastic Minister?

Questions like these go to the heart of major political problems of the moment. Furthermore, in politics, we often find that people's general attitudes (as opposed to their tactics) have been determined not by any course of study, but some general sensations, perhaps handed down by parents, perhaps taken up as a challenge to parents. The Depression, the General Strike, the Second World War: all these things colour many of our fellow countrymen's ideas, even if they did not experience them.

In most politicians' knapsacks, there are a great many

received notions about the past, often relating to particular incidents which caused a chord to sound in their or their families' souls a long time ago but which, strangely enough since they often cause obsessions, the persons concerned have not examined since. Take the economic crisis of 1931. How strange that, even now, a Labour government's hostility to a national government is determined by Ramsay Macdonald's part in 1931. Could it be that a long dead and largely discredited statesman can still control policies from beyond his grave? It seems so. The attitudes of our present Prime Minister to Rhodesia, for example, derive, as his press conference in Washington in September 1978 suggested, from an apologetic and uninformed attitude to imperialism as such. Let us consider that attitude for a moment.

Now, of course, not every action undertaken by every European power in Asia, America and Africa, between 1492 and 1970 can be defended. But would it have been really better for the so-called Third World if "imperialism" had never been? If the cow, the sheep (and hence wool) and even sugar had been kept in the Old World? What about the carriage of New World crops such as cocoa or maize to Africa? Was that an unjustifiable intrusion into indigenous cultures? Paw-paws, sweet potatoes, pineapples and potatoes went to Africa as a result of the first stage of European "imperialism". The list is endless. It was even the Spaniards, not the Incas, who took the potato to Mexico, and the British who took tea from China to India! Would it have been better if these things had been kept to themselves? If malaria had continued uncontrolled, and if expectations of life in Africa had remained under thirty, instead of reaching towards sixty, which they now do almost everywhere? Of course the answer is that here were vast benefits. It might, perhaps, have been better for the British if our Empire, which had begun as a commercial enterprise, worthy of a nation of shopkeepers, had not been converted into an administrative régime, about 1850 to 1860, for Britain's until then unquestioned industrial pre-eminence began to slip just about that time. But that is not the point.

Yet if we make any concession and agree that there were some parts of Western imperialism which were beneficial and some parts less so, the question is, where are we to draw the line? Should we make the judgement by reference to the motives of the persons concerned? That is not so easy. The first

Spanish *conquistadors* went to America for three motives at least: to make themselves rich; to bring more of the world's population under the Catholic Church; and to further the interests of the Spanish Crown. Who will say which motive predominated?

More recently, there were other motives, such as a desire to help the peoples of the country concerned. General André Beaufre, a brilliant French officer who had served with Lyautey, in Morocco, wrote in a passage which deserves to be quoted at length:

> Today, looking back, I feel a profound sense of melancholy. What sacrifice, what devotion, what enthusiasm were poured into that colonial adventure of which I lived through the last phase [the French war in Morocco in the 1920s against Abd-el-krim]. To the younger generation today, which has been taught that "colonialism" . . . has been at worse a crime and at best a mistake, I would say this: . . . We fought these colonial wars with a clear conscience, sure that we were bringing with us civilisation and progress, certain that we would help these people emerge from their backward state. We respected the men against whom we fought and believed that tomorrow they would be our friends.[4]

Even more distorted than the received view of imperialism, is a view which is often held of English industrialism in the early nineteenth century. Even good schools in this country still put forward that that was a time in Britain of misery and falling standards. Of course, there was misery. Dickens was not wholly wrong. Mrs Gaskell described real problems. Conditions in coal mines before Davy's lamp was introduced were very harsh. Nineteenth century cities were often appalling. Yet, on the whole, taking this nation as a whole, the nineteenth century was a time of unparalleled inventiveness and enterprise, in which the population rose nearly four-fold from under 9 million in England and Wales in 1801 to 32 millions in 1900, without counting the 17 millions who emigrated*. People recall the conditions of the tiny numbers of persons — 200,000 in 1835 — who worked in cotton factories, and forget the benefits that the cheap cotton clothes which became available as a result brought to all, workers and managers, Lord Salisbury and Karl Marx alike. Now, I am not now talking of history as perceived by historians. No serious historian, for example, would now make the kind of passionate, if apparently well documented,

*About 17 million left Britain between 1825 and 1920 to go to the U.S.A. or elsewhere.

onslaught on the agricultural enclosures which was made by Karl Marx,[5] and, after him, many others, such as the Hammonds. For in 1832, despite the virtual completion of the enclosures, it now turns out that there were more families living on the land in England than there were in 1801 (761,348, in comparison with 697,353,[6] 'Had this knowledge been possessed earlier', remarks Professor Jewkes, speaking of the whole historical revaluation of nineteenth century industrialism, 'western societies might have been spared much toil and trouble'.[7] They might indeed.

But myths are not so easily destroyed. As I speak, throughout the world, from Kandahar to Kabul, Rio to Peking, even in Melbourne and Cambridge, mass-produced, cheap editions, in the appropriate languages, of Marx and Lenin are being browsed through by countless students in search — in search of a philosophy of history. I do not think that we can take comfort in the fact that the works of Marx are virtually unreadable. For the students concerned, skipping the text which they cannot understand, will light upon some statistic, some 'factling' as Lenin put it, which catches their imagination about landholding in Wales, or perhaps, indeed, the demonstrably false picture of the enclosures which I have just mentioned. And they will regard it as true.

Our immediate reaction is likely to be to think that there should be some western alternative, some counter Marx, some counter philosophy of history. But what author should it be? Mill, Adam Smith, Hayek, Isaiah Berlin, Popper, Samuel Smiles?

> Light half believers in our casual creeds
> Who never deeply felt, nor clearly will'd'

as too many of us are, we would, however, find it hard to decide, in our committees and sub-committees, who should be distributed to beat Marx at his own game. Nor, indeed, can I imagine that the Centre for Policy Studies, an organisation concerned with the free play of the market, would take kindly to a suggestion that any consideration should be given to a scheme which would envisage the subsidisation even of their own books, in however good a cause. Further, our rival counter-Marx would have to be a competitor not only in knowledge but in the spurious illusion that history was inevitably going somewhere, and without fear of being diverted. As the official

Czechoslovak paper, *Rude Pravo* put it, about the dissident intellectuals in Prague, 'those who lie on the rails of history must expect to get their legs cut off'. What a comfort it must be, some would say, to know that that was certain!

No matter that Marx misunderstood the nature of feudalism; that his statistics about the size of cotton factories are false; that he failed to know the most important facts even of his own time — such as the rise in British population which I mentioned, or even the rise of population in Germany, his own home country; and no matter that his predictions as to what would happen have been wrong too: the attraction of Marx is that he gives some order to the past; he puts the present in a firm place, and enables those who have drunk deeply of the heady draught which he offers to feel that they can suspend their critical judgement. I fear the only real antidote to Marx is careful, sceptical and disintoxicating history, carried through with persistence and patience. There is no short cut. For example, it is up to historians to point out that not all history is the history of technology: ideas and religions have always played determining parts. Not all history is the history of class struggles: indeed, even in Marx's own day, nationalism was at least as strong an impulse as the notion of class, which anyway is often a deceiving, and usually an ambiguous, one. Marx endowed his working class with a heroic importance but he failed to explain whether railwaymen, shop assistants and a hundred other people in service industries could partake of his proletarian banquet. Marx's view of history is that men are caught up in an inexorable process from which they cannot, by the nature of being men, escape. Yet the history even of Marxists such as Lenin or Stalin show the importance of human personality in affecting events.

There are also other courses of action. We used ourselves once to have strong and powerful visions of the past which inspired the nation as it went about its daily life. In the nineteenth century, Britain's past was of great importance to it. The Victorians realised, and were proud, that our institutions derived from a uniquely slow evolution, linking us with the customs of the ancient Germans, of whom Tacitus wrote, with a vague feeling of envy, since their ways seemed to be freer than those of Rome. Do we still have, as a nation, that pride? Should we have? If we have lost it, what has replaced it? Do we still have real links with the Greeks who first began to speculate

about the purpose of the State and the relation of the individual to it? Of course, every schoolchild learns about these things, but does it mean anything to them in terms of modern life and the institutions still in being? Do we still assume, as the ancient Jews did (and modern Jews do) that law should reflect a higher will than the collective will of man? Then, are our heroes still, in the age of the VAT inspector and the pettyfogging intra-union battles over differentials of pay, really men such as Drake and Raleigh, Wellington and Nelson, after whom our squares and schools are still called? Can we see Nelson in our mind's eye in the age of the telex?

Though such names must mean something — a new Elisabethanism was a much worked vein a few years ago (and still sometimes is — I have recently seen a British Airways' advertisement on the theme) it seems indeed often that the wars of the twentieth century, the achievement and the loss of a great empire and, perhaps more important than anything else, the change in the role of the State, have cut us off from our national past so that much of the population lives without heroes, as it dies without religion. Of course, our present interventionist state had its precursors: for example, Edwin Chadwick of the nineteenth century, the great civil servant whose memoranda over half a century about the desirability of governmental control of prisons and hygiene, sewerage and sewers, posts and telegraphs, led to the state of affairs which caused Sir William Harcourt, as early as the 1890s to say 'We are all socialists now'.[9] But who 'now' has heard of Chadwick? He is certainly far from a household name. The fact that he is no hero for our time gives grounds for a belief that our heart cannot be in interventionism. It seems worthwhile, nevertheless, to say bluntly, with Rudolf Wittfogel, that 'writers, politicians and teachers who do not understand the meaning of their institutional and cultural heritage are ill-equipped to combat the threat of totalitarianism.'[10]

Now among the elements which play a central part in our institutional and cultural heritage is the contribution of free enterprise to freedom. I am not saying that because I am here. On the contrary, I am here, I believe, because I have said it before. The contribution made by free enterprise to political liberty is fundamental. There is no instance of political liberty existing without free enterprise and, furthermore, in every case that I can think of, free enterprise existed before the political

freedom concerned. Free enterprise can thus be described as the midwife of political freedom, if you will excuse a rather Marxist metaphor.

Like any simple statement, this may seem at first sight obvious, but, nevertheless, it is not always realised. Perhaps it is simply taken for granted. Even so, most charters of human rights forget to mention it. The Declaration of American Independence did not mention the right to pursue economic freedom as essential, nor did the Atlantic charter. Lord Acton, in his two famous Victorian *Essays on Freedom*, devotes some fine passages to Liberty of Conscience, and freedom of assembly, and so on, but he did not mention freedom to exchange goods and make a fortune, as being an essential freedom underpinning others. He sought the palm of liberty, shall we say without the dust of commerce.[11] The Charter of the U.N. is a document defining relations between sovereign states, but it does not mention commerce as a means of maintaining the peace which it was set up to try and guarantee. Almost every charter of human rights mentions the desirability of a free press, but the commercial methods by which alone that free press can be maintained are often forgotten.

I am not, of course, trying to say that the contribution to freedom made by private enterprise has never been mentioned before. John Stuart Mill had a ringing paragraph about it in his essay of liberty[12] and, of course, de Tocqueville, in *Democracy in America*, makes the point well when he speaks of the necessary part played in guaranteeing freedom by the establishment of many centres of power and wealth independent of the state and, therefore, able to challenge its authority in innumerable ways, from founding critical newspapers to offering employment to opponents of the government or perhaps championing inventors whose ideas may have been rejected by a foolish or jealous bureaucracy.[13]

Now the weight of this argument is assisted by putting it in an appropriate historical setting. Free enterprise has not had a short history. I think, indeed, Sir John Clapham, the greatest English economic historian, was right when he said that, 'in one form or another, agrarian or commercial, capitalism is as old as civilisation'.[14] Some form of what was plainly free commerce was carried on by the ancient Babylonians, while the independence of the Greek city states was based on a system of private commerce which straddled the entire eastern Mediterranean. Which mediaeval political undertakings were

closest to a degree of political freedom? Why those, of course, where commerce was undertaken by an independent class of merchants and artisans. The mediaeval economy was revived by those 'capitalist entrepreneurs' (the words are those of the Belgian historian, Pirenne), making wool, 'the beauty of whose colours and the purity of whose weaves' were regarded as without rival.[15] The early renaissance cities of Italy, (above all, Florence) were run by independent merchants, and many of them established a degree of oligarchic democracy which had not been seen since antiquity. The renaissance was mostly financed by capitalists, such as the Medici, or the merchant of Prato, written about so cleverly by Iris Origo. 'In the name of God and profit', Francesco Dantini's letters used to end.[16]

You may feel that all this is a little remote and diffuse, and that the Medici were far from modern capitalists. In reply, I would admit that the merchants of antiquity were nearly all individuals, did not work in companies and, therefore, were in the end no match in particular for the Roman state who, by the third century A.D., was much the largest landowner in the state, had virtually nationalised transport, ran most of the prosperous mines, and employed a full-time civil service of 40,000. But Roman merchants were self employed men all right, and they tried to organise free enterprise.

The modern company, as we know it now, was devised, with proper accountancy and double book keeping, shares distributed among partners, and even foreign agents established on a permanent basis, in mediaeval Italy.[17] From those arrangements, banking developed, as did speculation in commodity futures and the whole paraphernalia of the Market, the final touches to which were put in Holland in the seventeenth century.[18] Purely financial speculation in shares of companies began in Amsterdam in that century.

The point of this little lesson in history is that, contrary to what was allowed to be assumed, perhaps without realising it, by Marx and many others following him, the invention of the free market and the invention of mass manufacturing by machines in factories (the process known as the industrial revolution) were separate affairs. The market in outline in more or less the form that it has now (or in the form that the Centre for Policy Studies or the Institute for Economic Affairs would like it to have now) existed at least a century and a half before the beginning of industrialisation. England was a successful

commercial country before she was an industrial one.[19]

The existence of the market was indeed the mechanism which enabled industrialisation to begin. Further, the industrial revolution began in England primarily not because (as the French believe still) we had cheap coal, nor because we then enjoyed religious toleration (as the Germans thought) nor because of enclosures and cheap labour (as Marxists would say) but because the techniques of the free market were best developed here. We had learnt almost everything from the Dutch, but we had learnt it well.

The market was also able to work in England with far less competition from the state than in any other large European country. This was not simply that there were barely 2,000 civil servants working in the central government, sinecurists included, but those persons were concerned almost exclusively with customs, excise, and a few other modest taxes. Everything else was farmed out: police, mint, post roads, street cleaning; even prisons were maintained on contract by private gaolers.[20] How different in France, where despite her large population, her abundant resources and her clever people, it never occurred to anyone that, in de Tocqueville's words 'any large scale enterprise could be put through successfully without the intervention of the state'.[21]

I have allowed myself to become somewhat diverted. My theme is not the contribution made by the mechanism of the market towards unleashing the liberating movement known as industrialisation, but the contribution of private enterprise generally to political freedom.

I would like, in the last part of this lecture to consider some of the reasons why this beneficial role of free enterprise has been rather ill defended, often ill defended by practitioners of free enterprise themselves. This is, however, a big question, and I must confine myself to a few points.

First, a great many people who should have known better have been led to suppose that there is something in Marx's point of view that the inevitable conclusion to peaceful competition must be war. But in what way can private merchants squabbling among themselves cause wars? Only states can send armies to fight against each other. During the 99 years between 1815 and 1914, when private merchants were most influential, the world was free of general war. Only high-spirited writers and politicians wanted war, whether out of personal ambition or because they allowed themselves to become prisoners of some

powerful illusion — "gut feeling", I believe the modern expression is — that their nation needed room to live, or that their system of politics would collapse unless some insult was avenged. The most successful businessman of the early twentieth century was Henry Ford. Was he a fomenter of war for profits? On the contrary, in the course of the First World War he hired a ship to lead himself and a large number of other pacifists to go to Europe to try and bring the War to an end. Of course, economics played a part in both the First and Second World Wars, and perhaps even in causing them, but that is not the same as saying that they were caused by businessmen. On the contrary, Hitler, determining to go to war, tried first to ensure that he would not run short of supplies before the fighting started. The concentration of economic power in the hands of states is more likely to cause war than the creation of excessive private fortunes. That is even more the case with states who have smashed all private enterprise within them, and hence all possibility of adverse criticism.

A second reason for private enterprise's low reputation is also connected with war. The great wars of the century were not only caused by states, but of course, they were run by them. During the First World War, the inter-relation between bureaucracy and socialism as between patriotism and nationalism became hopelessly muddled. War weary peoples were afterwards everywhere easily persuaded that, even in peace, those who worked for the state must be, in some way, more patriotic than those who worked for themselves. Hence, to take two good examples, when, in 1920, aviation and broadcasting became technical possibilities, the first received an immediate subsidy and the second, in most of Europe, became a monopoly: neither development would have occurred in the nineteenth century. Did the first canals need a subsidy? Did the first railways? Did *The Times* in the 1790s? Of course not. Private enterprise, of course, initiated most of the great innovations even of our century. As late as 1919, the *Daily Mail*, for example, encouraged aviation by offering a prize of £10,000 to the first fliers across the Atlantic — a prize won by Alcock and Brown. But almost immediately, in every instance, the public subsequently allowed the state to become implicated.

Perhaps a related reason for the failure of free enterprise to be defended may derive from, oddly enough, an excess of education or, rather, of the wrong education. I began this talk

by praising the Centre for Policy Studies for asking a historian to talk here. But, as I have been forced to admit this evening at almost every stage, there is bad history and good history. In late Victorian England, is it possible that we learned, in this country, too much in our best schools about ancient Rome? The children of great, self-made industrialists were certainly often sent to public schools to do Latin prose composition. Many of our leaders, and not only socialist ones, were, therefore, inspired by a Roman attitude of service to the state. Often admirable in itself, did that lead them to the assumption that what was done in the name of the state is automatically superior to what is done by private people? Perhaps this argument is a little far fetched. Perhaps it is one which needs more careful development before launching before this audience. Perhaps, too, Victorian England really sought an education to suit its prejudices and did not derive its prejudices from its education. At all events, I have the sensation that some time in the mid-nineteenth century we became a little ashamed of our industrial origins and concocted false genealogies for our institutions, as misleading as any of the invented Norman descents discovered by J.H. Round. I have also the feeling that Rome should have been studied more carefully if it was to be studied at all. It was not, after all, a great innovative civilisation technologically, philosophically, scientifically, or even artistically. It collapsed because of excessive taxation, as much as from the invasion of a small number of barbarians. Its most damnable legacy may be the twentieth century campaign against free enterprise on the assumption that the difference between that form of management and state management is a matter of ethics. In consequence, nationalisation was, for many years, pressed (in the words of Professor W.A. Robson) as an attempt to 'substitute higher moral values than those implicit in private enterprise'.[22] Thus spoke the classical scholar, the natural prefect, the effortless Assistant Secretary, and I believe too many such have perhaps spoken so too often.

Another explanation for the frequent failure in the West to give free enterprise its appropriate place in the history of freedom is that it has sometimes co-existed with authoritarian or absolute regimes. Again, this is not a new phenomenon. From the time when a handful of Greek merchants lived in a ghetto in ancient Egypt until the present very similar commerce with Saudi Arabia, the chance of profit-making in even an

imperfect way has always been seized upon. It always will be. Free enterprise of a limited kind existed in Russia, particularly in agriculture, under the communists in the 1920s and under the Nazis in Germany. Inevitably, this system is not very satisfactory since those private entrepreneurs who are close friends of the despots concerned have done best. That, however, is no reason for supposing that the capitalist system as such is wrong. For it is illogical, as well as historically foolish, to judge the merits of any system when it is working unnaturally. It is, however, worth recalling that the days to which a few romantics still look as being the innocent days of the Russian revolution were precisely, and primarily, those when a degree of private enterprise survived. It is also obvious that those dictatorships which stand the best chance of evolving into democracies in the forseeable future are those where private capital has a firm hold (for example, in South America or the more prosperous states of East Asia) rather than those where, as in the Marxist world, it has been forbidden.[23]

The multinational company is also invoked as constituting a serious weakness of the free market and as evidence that commercial and national interests may clash. Surely, this argument goes, we need a strong state to protect us against this new monster on the commercial scene. But this is also far from being a new development. Indeed, since companies such as the Medici (whom I mentioned before) existed as early as the fifteenth century, the multinational company may even be said to have antedated the nation state. A hundred years before Amsterdam became a major financial centre, Cosimo dei' Medici was sitting in his office in the Via Larga in Florence at the headquarters of an international bank with branches in Rome, Milan, Geneva, Bruges, Ancona, Pisa, London and Avignon, trading in almost every known commodity, on the general principle of spreading risks through diversity.[24] The multinational company has also realised, in a way that a nationalised company will always be slow to do, that the frontiers of nations arbitrarily arrived at in the past may have little meaning for commerce. Even politically, we already live in a western world for which all intents and purposes stands and falls together. Perhaps the multinational company, therefore, points, in its methods of organisation, to our future way of living, if freedom survives, more clearly than any other institution.

In bringing this argument to an end there is one final point I wish to make. Those who broadly agree with the interpretation which I have tried to make should resist the suggestion that they must be on the Right of the Conservative Party, or even that the Conservative Party as a whole is on the Right of Labour. Until the birth of the Labour Party, about the time of the beginning of Britain's decline from international industrial pre-eminence in the 1890s, we were wonderfully free from that dilemma of Left and Right which has so much confused politics in our day. Why should the accidental *placement* at a meeting of the French estates general in 1789 at Versailles determine our vocabulary eternally? What, I wonder, would have happened if the Estates had sat in the Tennis Court, where the Third Estate took an oath, instead of in the palace?

Of course, there is a line to be drawn in politics, but it is not properly described by the adjectives 'left' and 'right', and indeed, the use of those words obscures the reality of the most important issues. I draw the important line between those who look on the state's role in society as a limited, though never clearly defined one; and those who hope to use the state, or do not mind it being used, as a method of organising us all so that our individuality vanishes and we become simply a 'supervised multitude of subjects'.[25] There is a line between autocratic behaviour and libertarian behaviour, between those who think they should plan the lives of their fellow citizens and those who are sceptical whether that is ever beneficial. The first group are not anarchists since they believe that one of the weaknesses of excessive intervention in the economy is that the state neglects some of its essential tasks such as preserving the defence of the economy and ensuring a stability in the supply of money. The coming election seems to draw this line between two ways of looking at the future of our nation more sharply than has been the case before; or, should I say, the leaders of the Conservative Party have wisely insisted on defining the issues in this manner. In the battle against authoritarianism, we in this country, as in the West in general, need leaders who are both bold and well informed. Among the officers and indeed the friends of the Centre for Policy Studies, I am glad to know we have them.

Notes

1. Karl A. Wittfogel, *Oriental Despotism,* (New Haven, 1957).
2. BBC World Service; programme at 8.30-9 a.m., 21 December, 1978.
3. *Estudio sobre Cuba* (Miami, 1963), p. 1019.
4. General Andre Beaufre, *1940, the Fall of France* (London, 1966) p. 32.
5. Karl Marx, *Capital* (Moscow, 1961) Vol I, p. 717-734.
6. J.D. Chambers and G.E. Mungay. *The Agricultural revolution* (London, 1966) p. 99.
7. J. Jewkes, *A return to free market economics?* (London, 1978) p. 35.
8. Matthew Arnold *The Scholar Gipsy.*
9. *Fabian Essays* (1889) Ed. G.B. Shaw.
10. Wittfogel, 628
11. *Essay on Freedom* (London, 1892).
12. Mill, *On Liberty,* Everyman edition, p. 165.
13. Alexis de Tocqueville, *Democracy in America,* Vol II (Boston, 1935) p. 316.
14. Clapham I, p. 1.
15. Henri Pirenne, *Mediaeval Cities* (Princeton, 1948) p. 163.
16. Iris Origo, *The Merchant of Prato* (London, 1957) p. 36.
17. Ferdinand Schevill, *The Medici* (London, 1950) p. 125.
18. Violet Barbour, *Capitalism in Amsterdam in the 17th century* (Ann Arbour, 1963) p. 74.
19. P. Mantoux, *The industrial revolution in the XVIIIth century* (London, 1961) p. 52
20. J.H. Plumb, *Man versus Society in XVIII century England* (London, 1970).
21. Alexis de Tocqueville, *The Ancient Regime* (New York, 1958 ed.) p. 36.
22. W.A. Robson, *Problems of nationalised industry* (1952) quoted Jewkes, 166 f.n 2.
23. This point was stressed in a speech made by Romulo Betancourt in a colloquium at a conference in Caracas, November 1978.
24. John Hale, *The Medici, the Pattern of control* (London, 1977) p. 33.
25. The phrase was Jacob Burkhardt's in the *Civilisation of the Italian Renaissance* (London, 1938) p. 63.