

**THE
ENEMIES
OF
PROGRESS**

Ralph Harris

The John Bonython Lectures

THE CENTRE FOR INDEPENDENT STUDIES

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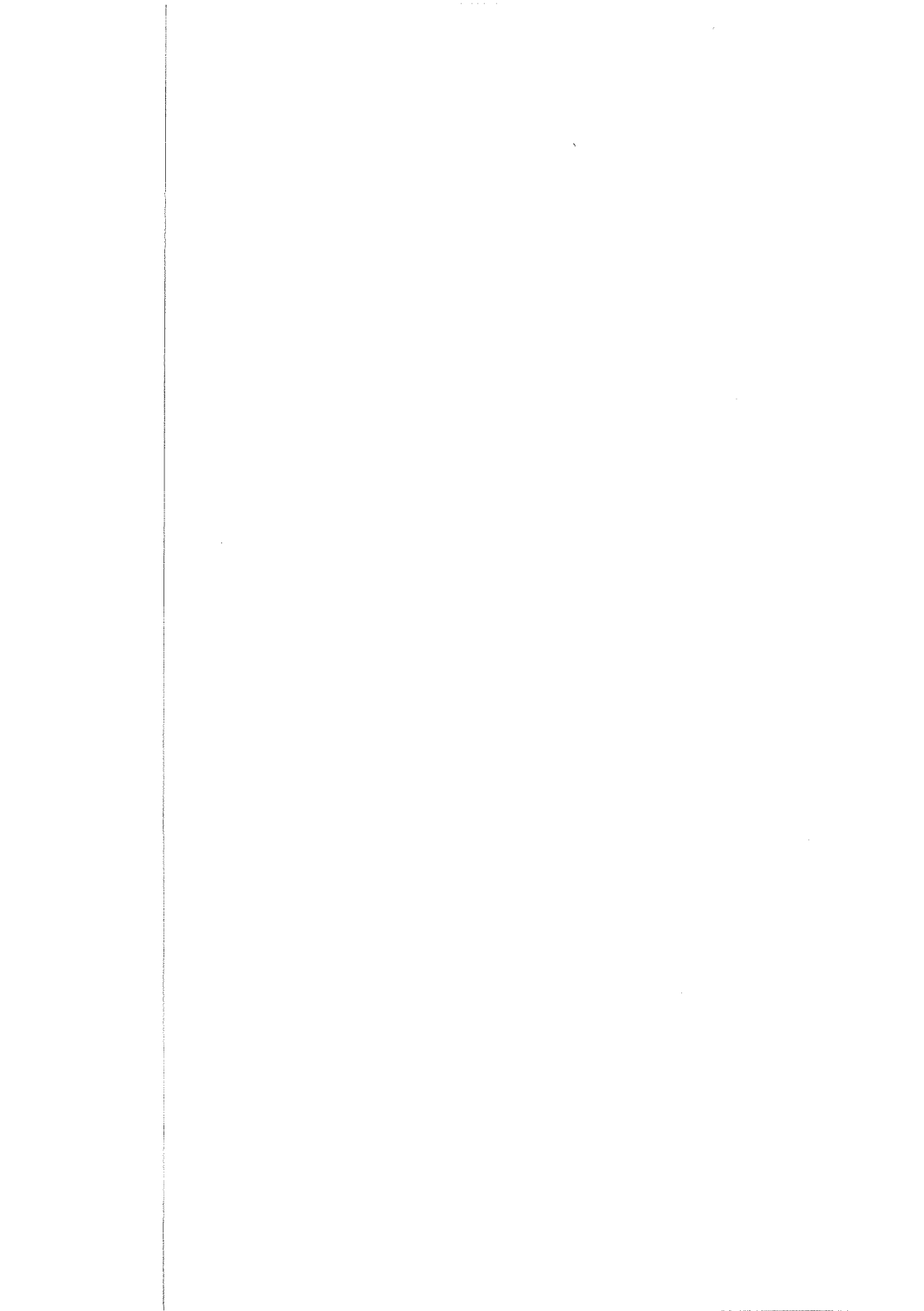
The Centre for Independent Studies,
575 Pacific Highway, St Leonards. NSW. 2065.

Australia

Telephone (02) 4384377 Fax (02) 4397310

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Ralph Harris

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Opening Remarks

Maurice Newman
Deputy Chairman, CIS Executive Board

In April 1975 Professor Milton Friedman first came to Australia as a guest of my own firm, Bain & Company. He answered our somewhat plaintive cry to him for some intellectual integrity and rigour to correct and counteract some of the popular ideas in vogue at that time. Market arrangements and free enterprise institutions were under attack from the Whitlam Government. In fact it is interesting to recall that in the period 1972 to 1975 the Australian dollar fell from US\$1.40 to somewhere around US\$1.25, and at the same time unemployment rose from 2.75 per cent to around 4.5 per cent and inflation rose from around 4.8 per cent to around 17 per cent. They were interesting times.

As Michael James, Visiting Fellow of the Centre for Independent Studies, wrote last week in an article in the *Wall Street Journal*, 'Australia has for most of this century shared the European tendency to be more alert to the failures of the market than to its successes and to expect the state like a fairy godmother to solve all problems and fulfil all yearnings'. While public policy has been slow to change, as subsequent events continue to prove, there can be no doubt that Milton Friedman's 1975 visit was a major event in turning the intellectual climate of opinion towards market solutions to economic problems. It was really on the groundswell of opinion created by that visit that the Centre for Independent Studies was founded.

I have been very proud to be associated with the development of the Centre from those humble beginnings back in 1976. I am particularly proud to be associated with Greg Lindsay, Neville Kennard, John Bonython, Hugh Morgan and a number of other people who have been instrumental in bringing the Centre from its humble beginning to its position today as a leading influence in national affairs.

The CIS has established the annual John Bonython Lecture to examine the relationship between individuals and the

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economic, social and political factors that make up a free society. The Lecture was named in honour of Mr John Bonython, the first Chairman of the Board of Trustees of the Centre, and will be given annually by a man or a woman, not necessarily a professional scholar, selected because of the valuable insight he or she may have developed in support of the fundamental objectives for which the CIS has been established. Each Lecture will be published as a special issue in the Centre for Independent Studies Occasional Papers series. This year's Lecturer is Lord Harris of High Cross, General Director of London's Institute of Economic Affairs. The 1985 Lecturer was Professor Max Hartwell from the Universities of Oxford, Chicago and New South Wales; the 1984 Lecturer was Professor Israel Kirzner from New York University.

The John Bonython Lecture and Scholarship Fund was established in 1985 to secure the annual presentation of the Lecture and to provide scholarships to allow younger academics and students to participate in important seminars and conferences.

Unfortunately John Bonython could not be with us for the Lecture this year, but he has sent a message and asked me to pass it along to you:

As a Kingsman myself, I admit that time occasionally turns up a brilliant performer from a neighbouring college, in this case Queens' (are there still crocuses at Queens'?). It is a great compliment that Lord Harris of Queens' should be giving us the third annual John Bonython Lecture. I hope that he will be able to impart some of his knowledge and wisdom not only to the immediate gathering but also to as wide a field as possible.

It is vitally important that Australia at this time should recognise the stern economic realities of the day, leaving to the future, when we may be able to afford them, the aspirations of the dream time.

I now call upon Professor Malcolm Fisher of the Australian Graduate School of Management, University of New South Wales, to introduce the 1986 John Bonython Lecturer to you. Professor Fisher was born in New Zealand and spent many years as something of an outcast at Cambridge University being one of its few liberal thinkers, liberal in the European sense of that word. I think I am correct in saying that Malcolm Fisher has known Ralph Harris longer than anybody else here and no one could be better qualified to introduce him to you. Professor Fisher has been a great supporter of the CIS and it is with great pleasure that I introduce him to you. Professor Malcolm Fisher.

Introduction

Ralph Harris

Malcolm Fisher
Australian Graduate School of Management
University of New South Wales

Thank you very much Mr Chairman.

Lord Harris, Lady Harris, and assembled company.

The occasion of the Third Bonython Lecture brings to our shores Lord Harris of High Cross, whom many of us know more affectionately and inevitably as Ralph. I think I first met Ralph about 1959. I well recall his visits to my rooms in Cambridge, this strange man coming in and sitting down. At that stage he was searching the economic wasteland in the aftermath of the Keynesian revolution for isolated souls who might share his most obvious and passionate concern for the free market. Ralph oozed entrepreneurial drive and awareness and clearly showed his determination to tackle head-on the dominant norms of the day, which were fed by academics and politicians of all shades, and reinforced most ably and persistently by the Fabian press. We realise now just how deep that all went.

Ralph was also perceptive: he called at the right door on that occasion as he clearly did on many others. He singled out many academics as well as others who had a contribution to make in analysing, presenting and developing ideas. These were the days in England of extensive government health facilities, of nationalised industry, of centralised planning culminating in the ridiculous national plan George Brown presented in 1964, where every part of the economy was to grow equally at 4 per cent a year. The really fascinating thing about that is that it was put into action so we could watch it fall! As well as George Brown.

I'll tell you a story from those years that most of you won't have heard. My Cambridge colleagues and I who sat on the

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examining boards of that university had an annual examination where we compared each others' papers for presentation to the candidates. My colleagues — not I — used to go through and eliminate all references to any word like 'profit'. Profit was not allowed in those days in the literature. And don't think that was confined to Cambridge because I spent a year at Oxford too, where the same attitude and endeavours prevailed, as they did outside academia. What a change from now!

Well, this was the world in which Ralph, with his co-worker of many years Arthur Seldon, worked, a world they tried to bring around through the written word and through skilful oral presentation as well. Somewhere in recent days reading through Ralph's publications, I saw that he reversed the priority then accorded to macroeconomics and assigned it to microeconomics. I remembered how he had always stressed this since the late fifties. I must say, I never let on, but that used to irritate me because in those days I thought of myself as a bit of a macroeconomist and the book I published with the IEA was on a macroeconomic subject. But with hindsight I think he was right in the emphasis he placed — indeed it provided the mainframe for the Institute's activities. Intellectual discussions had shifted too far away from the evolving importance of industries, let alone consumers and particular firms, to sweeping notions of concern with aggregate spending and taxation and so on.

Ralph Harris was born in 1924, educated at Tottenham Grammar and subsequently at Queens' College, Cambridge. Afterwards he became a lecturer in St Andrews, where doubtless Adam Smith was imbibed, and the effects of that are to be seen today. That intellectual experience at Queens', which was an alien soil to the Keynesians, and subsequently his activity at St Andrews, probably gave Ralph some protection against the Keynesian armies, which, as referred to in Maurice Newman's introduction, I had to encounter more often than not head-on.

At about this time one Antony Fisher, a prominent and successful businessman, who had been the early developer, I think I have this right, of the chicken broiler industry in Britain, developed the idea of founding an institute to disseminate free market ideas. He then looked for a director to get the institute established, and who did his eye fall on but none other than our distinguished guest tonight. Once that pair was in harness it wasn't many days before a third, Arthur Seldon, to whom I've already made reference, came in as editorial director.

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I think great credit must go not only to Ralph but also to Antony Fisher. It is remarkable I'm sure that such a skilful team was selected so early, leading to the follow-through which 30 years later we can all see and no doubt will hear more of in tonight's lecture, at least in a peripheral way. They developed publications and set up meetings where a cross-section of the community interested in ideas met, and there were many fruitful exchanges. I've always thought that was a marvellous contribution which I've enjoyed sitting in on from time to time.

Their publications are now used in schools and universities. At the university I know best, Cambridge, I was on the selection committee year after year for the setting of books, always in a minority position. I was staggered when we eventually got to the point where IEA publications were brought forward — never by me, that would have been certain death, but by others — and they are there to this day. So there is still hope.

Now I want to quote very briefly from one of Ralph and Arthur Seldon's combined contributions, putting the view they have tried to develop through the medium of the Institute's publications: 'nothing was too sacred for economic analysis, from advertising and hire purchase, where we started, through fire, flood and water, to nuclear power, medical care, education, fuel, transport, broadcasting and pollution, even politics itself'.

Ralph was created a Life Peer in 1979. The story goes that he sits on the Cross-benches because that was a condition of his acceptance of the peerage, so that he can effectively criticise both parties. Whether that's true or not, he's ably done it ever since. And you who have spare time for reading, and you certainly should have for this, should look at his small pamphlet *No Minister!*

The final thing I should say about Ralph, and perhaps this is particularly interesting in the Australian context, is that he is believed to be the founder of the private University of Buckingham. If he wasn't the direct founder he was so near it doesn't matter. Perhaps he was the midwife.

Each and every one of these accomplishments points to a man who, as the Swedish economists love to say, in this case referring to an entrepreneur, is an entrepreneur *ex ante*. But 30 years on it's unequivocally true that he's also an entrepreneur *ex post*. With such a record as this I am sure you wish to hear without more ado from Lord Harris on the subject he addresses this evening, 'The Enemies of Progress'.

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Ralph Harris

Ralph Harris was born in 1924 and educated at Tottenham Grammar School and Queens' College, Cambridge. He was Lecturer in Political Economy at St Andrews University, 1949-56, and has been General Director of the Institute of Economic Affairs since 1957. He wrote (with Arthur Seldon) *Hire Purchase in a Free Society*, *Advertising in a Free Society*, *Choice in Welfare*, etc. for the IEA. His most recent works written with Arthur Seldon are *Pricing or Taxing?* (1976), *Not from Benevolence . . .* (1977), and *Over-ruled on Welfare* (1979); he contributed the Epilogue, 'Can Confrontation be Avoided?', to *The Coming Confrontation* (1978); and his most recent IEA titles are *The End of Government . . . ?* (1980), (with Arthur Seldon) *Shoppers' Choice* (1983), and *No, Minister!* (1985).

He is a Trustee of the Wincott Foundation and a member of the Political Economy Club, former President of the Mont Pelerin Society, and a Council Member of the University of Buckingham.

Ralph Harris was created a Life Peer in July 1979 as Lord Harris of High Cross.

The Enemies of Progress

Ralph Harris

In this Third John Bonython Lecture, my aim is to tackle a question suggested by the two previous Lecturers. Professor Kirzner outlined the Austrian concept of the entrepreneur, ever alert to new opportunities, who blazes the trail of economic progress for others to follow. Professor Hartwell then offered a potted history of the resulting capitalist advance and exposed its ideological critics as being at once elitist and self-serving. Capitalism having been thus intellectually expounded and empirically vindicated, the following question arises. Why is it that politicians of all parties still shrink from giving enterprise, competition and consumer choice their head so as to spread increasing bounty ever more widely?

As a professional economist, I make no apology for discussing progress chiefly in terms of the conditions favourable to the creation and re-creation of wealth. Nor is this preoccupation to be scorned by Bishops and other comfortable critics as mere materialism, since rising standards of living bring promise of further cultural, social, medical and even political advance.

Economics is the most scientific of social sciences for two reasons. First, the measuring rod of money provides a universal system of comparing values. Second, economic life exhibits a more consistent motivation than appears in what passes as political science, to say nothing of the discipline — or is it the indiscipline — of sociology. In Mill's words, the ruling psychological law is 'that a greater gain is preferred to a smaller', which I notice applies even to my socialist friends. Thus the working hypothesis in economic analysis is that consumers tend to maximise net advantages of employment, and, less confidently, governments to maximise some measure of national welfare.

Nature and Causes of Prosperity

Plainly all but Bishops value increasing standards of living — and if they don't I bet some of their wives would. But my argument in a nutshell is that most of us are schizophrenic. We welcome progress and prosperity but we also value stability and the status quo. The human dilemma was nicely summed up in the title of a little-known book by a New Zealander, A.G.B. Fisher,* called *The Clash of Progress and Security*, published 50 years ago. In short, we want the fruits of economic progress but we resist change, which is both the condition and the consequence of progress. Consider the transformation of material and social welfare since Adam Smith wrote *An Enquiry into the Nature and Causes of the Wealth of Nations* in 1776. Even in my own lifetime I have witnessed the widening enjoyment of such amenities as modern plumbing, fitted kitchens, central heating, wall-to-wall carpets, TV, videos, the telephone, colour photography, motoring, eating out, and foreign holidays. They exemplify the progression whereby luxuries not available even to privileged minorities a couple of generations back have spread to become the conveniences, even necessities of the masses. Yet every advance was won by displacing old, outmoded forms of production and work.

Where did this popular prosperity come from? Scientific discovery and geographical exploration were necessary but not sufficient conditions. Earlier civilisations were capable of rare feats in building, the arts and manufacture of ingenious contrivances, but their enjoyment was confined to a favoured few. What brought the benefits within reach of the masses? Professor Max Hartwell's answer was as follows:

Many long-term factors were at work in Europe from the Middle Ages onwards — changes in science, religion, philosophy, political theory, law and government — but the crucial and determining change came when mercantilism gave way to *laissez faire*, and individuals were increasingly liberated from the controls of the state with stimulating effects on inventiveness and effort, and hence on production. (*The Anti-Capitalist Mentality: Post-Mortem for an Ideology*, Centre for Independent Studies, Sydney, 1985:10)

*Allan Fisher lived from 1895 to 1976. He graduated from Melbourne, taught at Otago (1924-35) and Western Australia, worked for the Bank of New South Wales (1934), the Royal Institute of International Affairs (1938-46), and the International Monetary Fund (until 1960), and retired to Britain.

The industrial revolution that continues unabated is a product of developing knowledge and enterprise, animated by competition, including such scorned handmaidens of 20th century prosperity as marketing, advertising and consumer credit.

Economic Freedom and Government

It is a truism that all economic progress depends on ceaseless change in methods of production, natural resources and synthetic materials; on the invention of new products and services; or on shifts in fashion, sources of supply and marketing outlets. Little illumination is derived from many textbooks that emphasise the formal economic theory of static equilibrium based on given wants. It has taken the Austrian economists to direct our attention to the ubiquity of unforeseen change in a dynamic economy and to the role of competitive enterprise as what Hayek has called the optimal discovery procedure.

As new possibilities of production are revealed, the requirement for progress is that resources, both material and human, are shifted from old uses, where returns are low or declining, into new applications that promise higher rewards. The entrepreneur is the prime mover in this continuing progression from relative poverty to increasing prosperity. He seeks private profit but is led by the invisible hand of competition to render public benefit, thereby providing an example of the unintended consequences of much human action. Let me offer my first quotation from Adam Smith:

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner but from their regard to their own interest.

Smith and the classical economists accepted that the most powerful mainspring of progress is competitive individual striving based on self-interest or — as I prefer to say — self-chosen purposes. But economic freedom never meant pure laissez faire, which seems to have replaced Hell in the demonology of Bishops. As in sport, competition yields its best results within the agreed rules of the game. So we have to restrain entrepreneurs and others from enriching themselves through force and fraud.

Government therefore has a number of essential duties. It must provide a framework of law, enforceable contracts, honest weights and measures, with remedies against false description of goods. Government is necessary to enforce the overriding national interest, for example in guaranteeing

security of person and property through enforcement of law and order — the lack of which largely explains the gulf between prosperous Hong Kong and stagnant black Africa. It also has to ensure the supply of services known to economists as ‘public goods’ — from national defence to street lighting and sewers — which yield indiscriminate benefits and which the competitive market could not, therefore, provide. Government has also to regulate what economists call ‘third-party’ or ‘external’ effects like pollution, from prohibiting open fire in smokeless zones to making polluters pay for their effluent.

Not least, government in Britain has accepted since Tudor times some responsibility for diminishing poverty by giving cash or kind on proof of need. But I should add that concern for the poor does not justify the provision of so-called ‘free’ medical care or education to the entire population. Zero-pricing simply preserves the fiction that everyone can live off free lunches at the expense of everyone else.

Consumer versus Producer

So under the classical liberal dispensation, the entrepreneur is free within an appropriate framework of law and institutions to act as pathfinder of economic progress. In deciding which new ideas to implement by risking his capital, he is guided by the prospect of profit. But success depends on finding customers for his product or service in sufficient numbers to justify his investment. The arbiter of success is not the ingenuity of his innovation, nor the approval of government, nor even the receipt of a knighthood or peerage. The final judge and jury are the paying customers, as indicated in my second quotation from Adam Smith:

Consumption is the sole end and purpose of all production, and the interest of the producer ought to be attended to only so far as is necessary for promoting that of the consumer.

There is, however, a major difficulty with this vision of entrepreneurs as agents of the consumer, winning universal acclaim by launching cheaper or improved products on the market. The snag is that new competition is not welcomed by investors or workers in existing production. At the very least, change brings disturbance, inconvenience, uncertainty. At worst, it threatens existing investors with lower returns or even bankruptcy, and workers with unemployment. Caxton print workers are unlikely to welcome computer typesetting.

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This difficulty is aggravated by the fact that the hundreds or thousands of prospective losers are more easily identified than the scattered millions of consumers who stand to benefit from economic progress. Although the universal, long-run consumer interest far outweighs the partial, short-run producer interest, the threatened power of capital and labour is highly concentrated and can be more easily mobilised and orchestrated. Once again, Adam Smith provides a shrewd warning:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.

Smith and the classical economist were rightly obsessed with the danger of monopoly and restrictionism in exploiting the consumer and frustrating progress. It was this fear that led them to elevate free trade at home and abroad into a grand principle, if not a panacea. But who was to prevent Smith's system of 'natural liberty' being overthrown by that equally natural 'conspiracy' of producers to preserve their incomes by keeping out uncomfortable new competition? The implication of the doctrine of classical liberalism was that the government should perform this role as guardian of the public interest. By withdrawing from protectionism and withholding monopoly and other privileges, it would hold the ring for competition and maintain the sovereignty of the consumer interest.

Political Vote Motive

Well into the present century innocent economists have tended to treat government seriously and respectfully as the impartial umpire seeking to uphold the public interest. Yet again, Adam Smith provided advance notice against putting too much faith in the politician, whom he described as:

that insidious and crafty animal, vulgarly called a statesman or politician, whose counsels are directed by the momentary fluctuation of affairs.

Even as a political virgin on the Cross-benches, I would add it is not that party politicians are all especially venal, but that they are exposed to the special pressures of the vote motive. Thus the spread of the franchise made democratic politicians ever more sensitive to wire-pulling from industries threatened by foreign competition and from workers facing imports from

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cheaper or more efficient sources of supply. Over the last century the English common law against restraint of trade fell into disuse and the emerging trade unions persuaded a nominally Liberal government in 1906 to add immunity from damages to the so-called 'right to strike', supported by what passed as 'peaceful picketing', which amounts to the use of force to prevent employers from engaging alternative labour. The same government sought to buy off the infant Labour Party by introducing minimum wages and conceiving the embryo of the modern welfare state on the huckster's promise of 'ninepence for fourpence'.

From these modest beginnings, we can trace the corruption of democratic government from being guardian of the public interest to becoming the plaything of special interests. From impartial umpire, parliament is well on the way to being the captive of campaigning lobbies competing to win subsidies, protection or other privileges, frustrating change and thereby slowing down the pace of economic progress.

As the scent of this corruption in most democratic countries reached the nostrils even of cloistered academics, economists were the first to offer a general explanatory theory. Starting in the United States, home of pork barrel politics and Tammany Hall, economists led by Buchanan and Tullock have developed and refined the analysis of competition in the political market place.

The Power of Pressure Groups

Let us give politicians the benefit of the doubt. Let us assume they are no worse, if no better, than the rest of us. But let us recognise that their self-interest is in maximising votes to win and keep power. The most expedient way is by promising favours in return for support through the ballot box; in short, by buying votes, alas, no longer with their own money.

Instead of asserting the general public interest against subsidies and protection so as to promote prosperity and progress, parties compete in wooing sectional interests like farming, business, trade unions, or specific industries like textiles, coal, shipbuilding. They vie in offering more generous treatment for pensioners, home-owners, council house and private tenants. The voters soon take the initiative and spawn single-issue pressure groups with real or imagined grievances, like single-parent families and other improbable causes.

Although the individual stands to lose, as both consumer and taxpayer, from this reckless buying of votes, he is at a disadvantage in the perpetual tug-of-war with the mass

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pressure of concentrated, organised, orchestrated lobbies of special interests. In Arthur Seldon's telling phrase, Demos has been dethroned by demos. As the unequal contest continues, the individual soon learns to abandon hope that the general interest will be upheld. Instead, he looks around to find a pressure group that will protect his own sectional interest from the depredations of all the others. Hence the spread of white collar unions in Britain to the very apex of the civil service.

Let me take two topical British illustrations of the impotence of mere majorities. Why have the many millions of newspaper readers not prevailed sooner on the government to prevent themselves being exploited by a few thousand print workers? The brief answer is that the consumers have a few pennies a day at stake, while the workers not only have hundreds of pounds a week at risk, but can make their pressure effective both on employers and on at least one political party.

If these enemies of progress are at last being challenged at *The Times* by a tough employer from afar with an urgent reason to adopt modern printing technology, let me take a different example of a battle lately lost. Whatever their personal preferences about shop opening, all MPs must acknowledge a significant majority of British public opinion in favour of freedom to trade on Sunday. Yet this popular reform was defeated in the House of Commons by an unrepresentative pressure group formed from an unholy alliance between a minority shopworkers' union rampant and a handful of bishops militant. Accordingly, on Black Monday, the 16th of April 1986, MPs in the Labour, Conservative, Liberal and Social Democrat parties voted down the second reading, often in defiance of their own judgments but in obedient response to pressure from sectional interests exerted through their mail bags. As *The Times* concluded, in this battle between the ancients and moderns, 'the ancients are in the ascendant'.

Spread of Collectivist Convolvulus

The multiplication of special interest programs is seen throughout the welfare sector in medical care and education. The persistence of dissatisfaction, despite ever-mounting costs, reflects the success of producer interests in medical and educational unions and professional bodies, reinforced by the central bureaucracies, in capturing control of resources and resisting change. Not even a government as determined as Mrs Thatcher's has been able to withstand the influence of these producer interest groups in opposing any real extension of

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choice for parents and patients, which can come only through competition from an expanding private sector. In *Triumph of Politics*, David Stockman concludes: 'The triumphant welfare state principle means that the economic governance must consist of a fundamental trade-off between capitalist prosperity and social security'. Social security, protectionism, farm support, etc., all 'seek to bolster the lot of less productive industries, regions and citizens by taxing the wealth and income of everyone else' (p.418).

In a recent book, dramatically entitled *The Rise and Decline of Nations*, Professor Mancur Olson has proposed a grand hypothesis that the longer any society continues without the shake-up of revolution or war, the more it will fall prey to collusive organisations and pressure groups and so lag behind newer more dynamic societies in its economic growth and capacity to adapt to changing needs and opportunities. I believe this analysis provides a large part of the explanation for the superior performance of Germany, Italy and Japan after defeat in 1945, compared with the economic sclerosis that became known as the British Disease.

The enemies of progress are thus revealed as all those organised obstructionists, imbued with the myopic trade union mentality, who seek prosperity not through competition in open markets, but by importuning government for beggar-your-neighbour restrictionism, which ends up impoverishing the whole society.

The results are seen well beyond Britain in the cumulative spread of what I now call the collectivist bindweed. This blight of increasing government intervention, protection and subsidies leads to unbridled welfarism paid for by over-taxation and borrowing, erupting periodically into high and unstable inflation. Workers are driven by taxes into the black economy and by social benefits into voluntary retirement. As more and more electors attempt to enrich themselves through the ballot box at the expense of everybody else, the requirements of a vigorous, flexible and progressive economy have been increasingly suppressed. I have no doubt that the new malaise of large-scale unemployment in Europe is largely due to the resulting economic rigidity, which impairs adaptation to unprecedented change and so aborts the birth of tomorrow's jobs. As Walter Wriston argues in *Risk & Other Four-Letter Words*, not only has the pursuit of safety-first slowed down progress, it has also perversely increased the risks of insecurity and now threatens our spiritual and political freedom into the bargain.

Radical Reaction

From the Cross-benches in the Lords I have been known to praise the present Conservative Government for its unconservative endeavours to bring about radical change; though when I watch the slow, tortured processes of legislation and amendment I sometimes recall Olson's law and think that Guy Fawkes had a better idea.

On my analysis much more must be done to deprive organised interest groups of their continued power to slow down economic progress. All state industries, including coal, railways, health and education — not excluding universities — should be exposed to real competition so that their employees look for their income not to government, but to the customers they are supposed to serve. Welfare benefits should increasingly be channelled selectively to people in need so that taxes can be reduced to enable more people to provide for themselves and their families. Reduced taxation, especially on lower incomes, would also help bring people back from the black economy and make earning wages more attractive than voluntary unemployment on social benefits. At the same time, wage rigidity and national wage bargaining should be replaced by more flexible rewards which incorporate a significant bonus element that reflects the varying ability of employers to pay, as in Japan. If wage costs were more responsive to the changing fortunes of trade, firms would have less incentive to sack workers when competition threatens to price them out of the market.

I am not concerned with party politics. Over many decades in Britain, Conservatives and Liberals, hardly less than Labour, sold the pass of progress in return for a mess of political pottage. The banner I commend is that of radical reaction. We should be deeply conservative, even reactionary, about the fundamental values of personal independence, responsibility, and choice in a free society. But we should be radical, even revolutionary, in applying these values to the collectivist institutions and changing circumstances of the day.

Beyond Thatcher

Widespread evidence of government failure has been powerfully reinforced by the recent intellectual counterrevolution, led by Hayek and Friedman and supported by the IEA, CIS and their multiplying allies in many lands. The market philosophy is undoubtedly in the ascendancy. Yet we have still to free

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politicians from the grip of special interests that remain the prime enemies of further progress. Our American friends have raised the banner of constitutional reform, which would entrench limited government by restricting total 'public' (that is, political) spending and borrowing. Hayek's more radical variant is a new constitutional settlement that would prevent politicians conceding arbitrary privileges by confining laws to 'general rules of just conduct'.

In Britain Mrs Thatcher has proceeded more pragmatically by leading a succession of magnificent forays against trade union abuses, professional restrictions, nationalised industries, the growth of farm subsidies. Together with the imposition of monetary-fiscal discipline and the abolition of exchange control, the Thatcher effect has undoubtedly been to transform attitudes. But it has proved a long, drawn-out, continuing, wasting confrontation, with set-piece battles against a never-ending succession of special interests, including teachers, students, miners, railwaymen, shop workers, opticians, lawyers, local authority workers, welfare claimants, conservationists.

Instead of a multiplicity of marginal reforms, taking on the enemies of progress one at a time, I commend Milton Friedman's strategy of a 'package deal' proposed in *Tyranny of the Status Quo*. Indeed, I would go further. Let a radical government draw up an agenda of economic disarmament listing the major special interest legislation that obstructs change and progress, with a brief time-table for reform or outright repeal. For most producer groups the loss of their own subsidies, protection and privileges would be more than made up by their gain as customers and citizens from lower costs, prices and taxes.

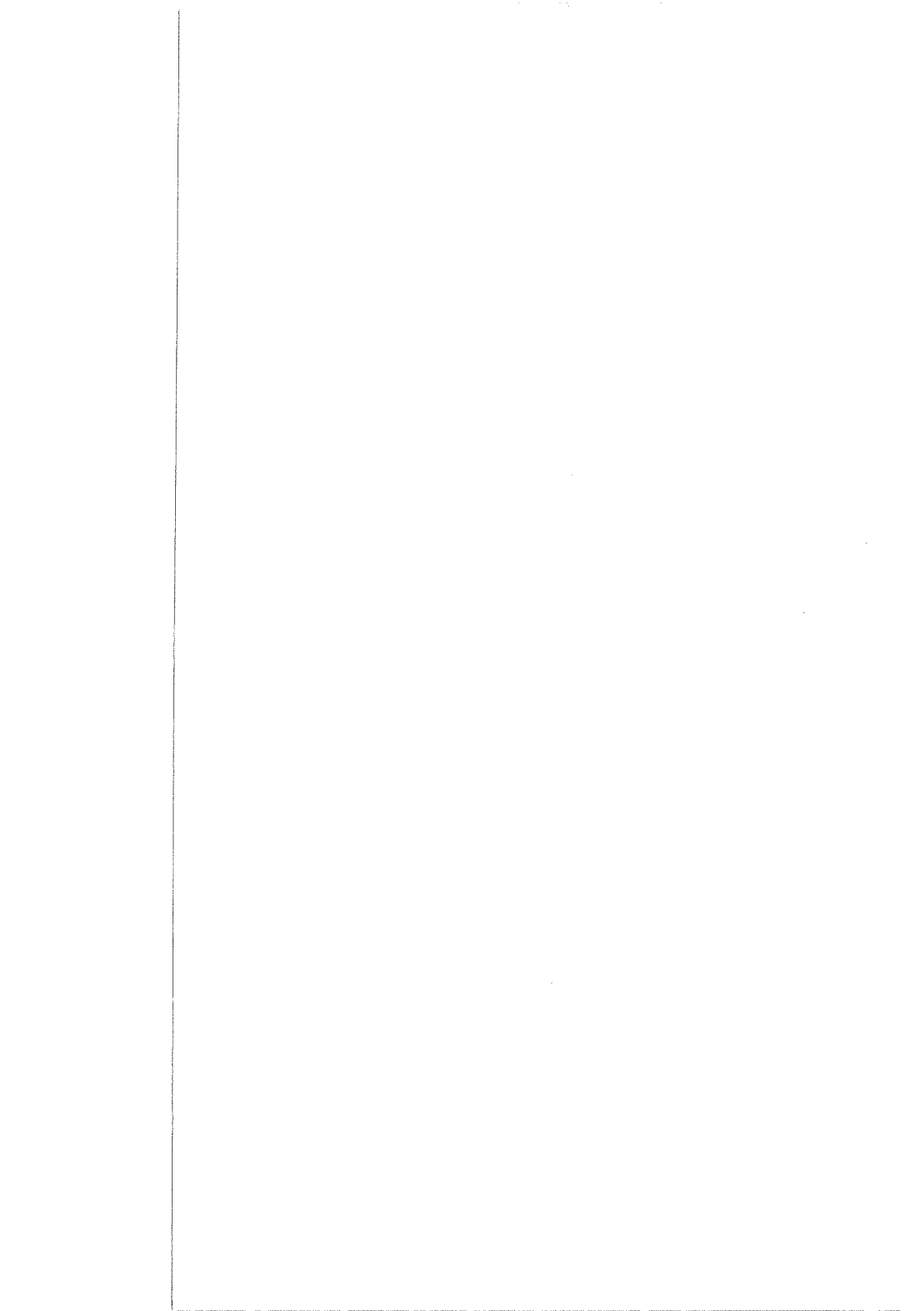
The exaggerated screams of protest by every 'special case' would be drowned — and mocked — by the squeals of outrage from all the others. Anyway, there is a limit to the decibels audible to the human ear. All but the most subjective special pleaders would at least have to acknowledge the government's even-handedness in tackling everyone else's rackets along with their own.

Since no government can rebuild the market millennium in one term of office, even of four or five years, its aim must be a sufficiently large instalment of freedom to yield such benefits as will secure support for a second and third term. Where so-called 'welfare' is to be cut back, phased out or eliminated, the aim must be big enough economies to finance massive cuts in taxation that will produce both immediate pleasure and long-run improvements in economic performance and progress.

THE ENEMIES OF PROGRESS

Envoi

Collectivism is increasingly seen, even in Eastern Europe and China, as obstructing the glittering prospects of new technology. The costs of government, even in the USA, are so high that obscure political entrepreneurs like Gramm-Rudman-Hollings and Packman have seen a market for selling lower budgets and less taxes. With the empirical evidence and intellectual argument powerfully in favour of freedom, let us challenge all democratic parties to join in competition for restoring competitive economics as the indispensable condition of freedom and progress.



Closing Remarks

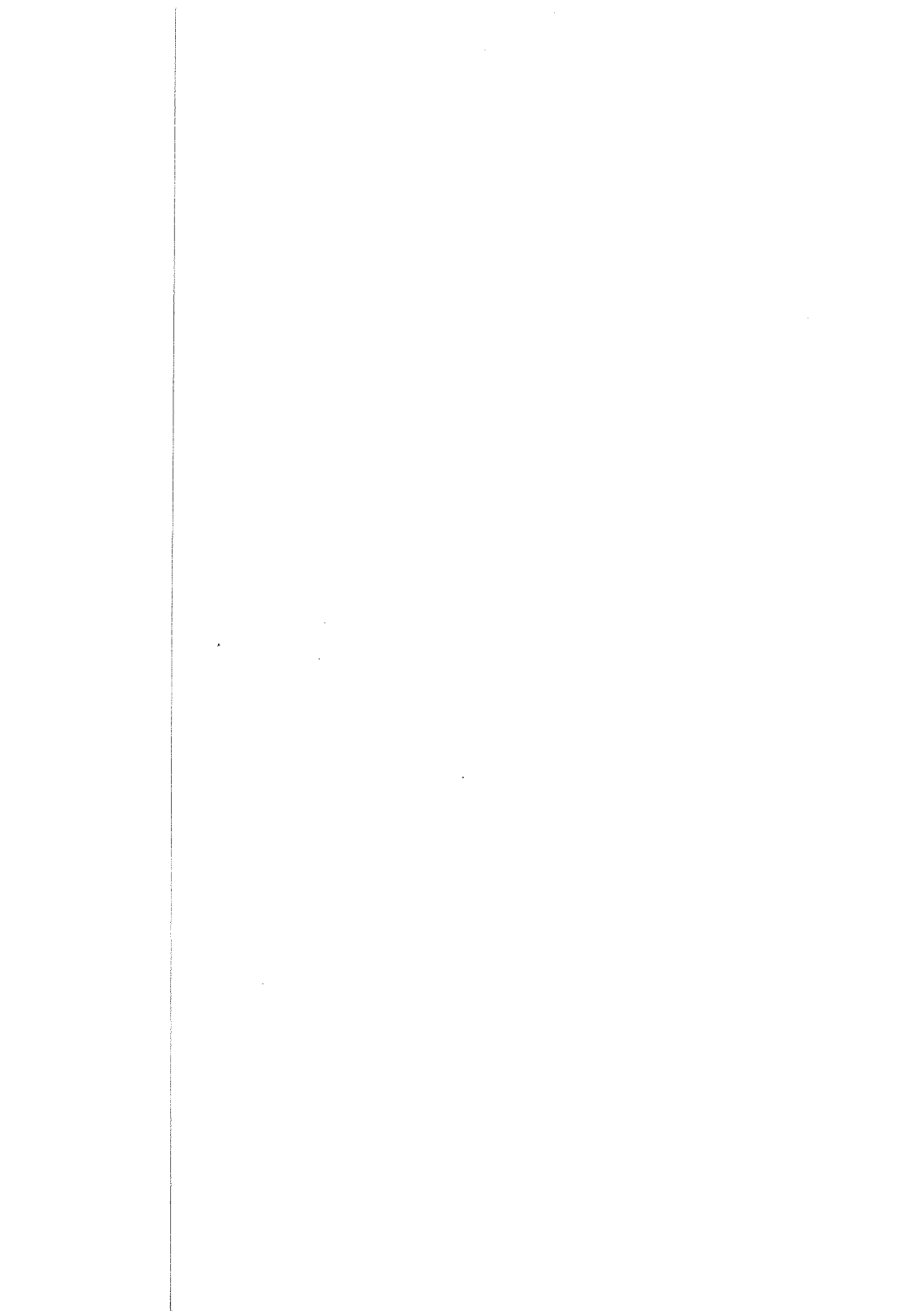
Ross Parish

It gives me great pleasure to propose a vote of thanks to Lord Harris for his sparkling address tonight. I particularly enjoyed his giving a bit of stick to the bishops. The rapid trendification of organised religion is one of the more remarkable occurrences of our times. It is sad for those who have reached an age where some aspects of organised religion have become attractive, or where a bit of insurance might not seem a bad idea, that organised religion should have embraced such views as would preclude one from embracing it. (On this matter let me recommend the CIS publication called *Chaining Australia*, which was a response to our bishops' piece called 'Changing Australia'.

I thought there was a certain pessimism in Lord Harris's lecture. He drew attention to the great difficulty of changing things in a democratic society where government is dominated by the interplay of interest groups of various sorts. When he lamented the slow progress of Mrs Thatcher's reforms through the British legislature, and wondered if Guy Fawkes might have had a better idea, I am sure he touched a chord in many of us. How do we bring about reform when its passage is liable to be thwarted by those very interest groups whose activities it is intended to curb? There is cause for pessimism, but not, I think, for black pessimism.

Many changes have occurred in the last 20 years or so during which the ideas in which Lord Harris and we at the CIS are interested have been in the ascendant. Much has been achieved. It is true that actually cutting the government back to size is proving difficult, but that is not all the story. I also think that the idea of placing constitutional curbs on Leviathan is not entirely fanciful, even though the prospects, here and now, may seem remote. A political or economic crisis can provide the impetus for peaceful constitutional change within a continuing political framework. It is conceivable that good may yet come from the economic crisis we are experiencing at present.

I am sure that you all agree with me that we have had a wise and entertaining lecture from Lord Harris. Somebody said in the lobby as I came in, 'Ralph always gives good value', and I am sure you will agree with me that he has done so tonight.



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The Enemies of Progress

Ralph Harris

In the Third John Bonython Lecture, Ralph Harris recounts the advances that economic freedom and entrepreneurship have brought the world and reminds us that all this good has been an 'unintended consequence' of human action, or, in Adam Smith's phrase, 'It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner but from their regard to their own interest'.

The catch comes, according to Harris, when politicians act in their own self-interest — after all, they are no worse, if no better, than the rest of us. Their self-interest is in maximising votes to win and keep power, and the most expedient way is by promising favours in return for support through the ballot box; in short, by buying votes. They find no lack of organised special interest groups ready to make a deal.

These special interests are undermining the democratic system and thwarting developments in products and services that would benefit everyone in our society.

Ralph Harris is General Director of the Institute of Economic Affairs in London and was created a Life Peer in 1979. Lord Harris is attached to no political party, sitting on the Cross-benches in the House of Lords. Instead he commends the banner of radical reaction. 'We should be deeply conservative, even reactionary, about the fundamental values of personal independence, responsibility, and choice in a free society. But we should be radical, even revolutionary, in applying these values to the collectivist institutions and changing circumstances of the day.'

The **John Bonython Lecture Series** was inaugurated by the Centre for Independent Studies in 1984 to honour the founding Chairman of its Board of Trustees. Each year the Centre will sponsor a lecture to examine the relationship between individuals and the economic, social and political factors that make up a free society. The lectures will be published as part of the Occasional Papers series.