

**Socialism
Is Dead
But Leviathan
Lives On**

James M. Buchanan

The John Bonython Lectures

THE CENTRE FOR INDEPENDENT STUDIES

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Opening Remarks

Michael Darling Deputy Chairman, CIS Executive Board

LADIES and Gentlemen, on behalf of the Centre for Independent Studies may I welcome you to the seventh annual John Bonython Lecture. The Lecture was established in 1984 with the aim of examining the links between individuals and the economic, social and political elements that go to make up a free society. Even at a time when the number of free societies around the world is increasing, the underlying principles that constitute this freedom can never be taken for granted, and always repay close attention.

The Lecture is named in honour of the first Chairman of the Board of Trustees of the Centre for Independent Studies, John Bonython. Mr Bonython, who is from Adelaide, was founding Chairman of Santos Ltd and was for many years Chairman of the Advertiser group of newspapers. Unfortunately, he is unable to travel from Adelaide to be with us tonight, but he sends his best wishes. We do have, however, our current Chairman of Trustees, Ian Roach, and a former Chairman of Trustees, Hugh Morgan.

The John Bonython Lecture is given annually by a person, not necessarily a professional scholar, selected because of the valuable insights he or she may have developed in support of the fundamental objectives for which the Centre for Independent Studies has been established. The first Lecture was presented in Adelaide by Professor Israel Kirzner of New York University, and in the following years by Professor Max Hartwell, Lord Harris of High Cross, Mrs Shirley Robin Letwin, Dr Thomas Sowell, and Lord Peter Bauer.

Tonight we are particularly fortunate to have a person of the eminence of Professor James Buchanan to deliver the 1990 John Bonython Lecture. We are also fortunate to have with us tonight Professor Geoffrey Brennan, of the Australian National University. He has been one of Professor Buchanan's closest colleagues, and has collaborated with him on two major books. I shall now invite him to introduce our guest. Professor Brennan.

Introduction

Geoffrey Brennan
Professor of Economics
The Australian National University

Thank you, Michael. It is a very great personal pleasure for me tonight to welcome and introduce James Buchanan, Harris Professor of Economics in the Center for Study of Public Choice at George Mason University, Fairfax, Virginia. It's a particular pleasure because Jim is a good friend as well as a colleague, and because his work and his manner of doing it have long been a source of inspiration to me, something that was true well before we became colleagues in the mid-1970s. It remains true now that our relationship has become a trans-Pacific one.

There are many things that I could tell you about Jim — perhaps too many. I want to focus on just a couple. The first is this: When Jim won the Nobel Prize in 1986, he became thereby a kind of patron saint for outsiders. Perhaps Jim doesn't imagine himself naturally in the patron saint role, but it's certainly true that he didn't fit the Nobel pattern. For one thing, he was a Southerner, obstinately so, because he not only came from Tennessee originally, but after obtaining his doctorate at Chicago University he went back to the South — to Florida and then Virginia. And this was in a period in which, at least within the intellectual Establishment, the idea of a Southern intellectual was virtually a contradiction in terms. For another, Jim was a free-market economist when the Academy was overwhelmingly leftist in disposition and strongly interventionist in its orientation. In addition, Jim never used fancy mathematics or econometrics, and indeed had always made clear his contempt for both in a profession increasingly preoccupied with its own technical tricks. His work in public choice — an area described by the Nobel citation as 'the synthesis of economic and political decision-making' — was in an area that was cordially regarded by the profession as eccentric, not to say ridiculous. So Jim over most of his career was an outsider; he was never

recognised in the United States in quite the way that his North-Eastern intellectual Establishment contemporaries were. He'd swum for most of career very firmly against the tide, and the Nobel triumph was the more sweet for that.

The second thing I want to tell you about Jim is embedded in a kind of riddle which Jim used to pose, occasionally at least, for job applicants and tenure candidates. It goes like this: Imagine that you have three mutually exclusive choices. Tomorrow you can be regarded by the press and the politicians as the authoritative expert on all economic affairs. You'll be consulted, rung up by the press at 6 a.m., and so on, all the time for twelve months. That's one prospect. Or, in 30 years, you'll win the Nobel Prize. Or, in 200 years, historians of thought will look back and say that you, at this time, did important, significant work in this place. Which would you choose, given that you can only have one? Well, many people were puzzled by this, needless to say; many of them thought it was a problem in discounting, that you ought to prefer the earlier benefits to any later ones. Some of them thought, knowing that there is an important principle in economics of compromise — that indifference curves are supposed to be convex — that you ought to take the middle option. But for Jim there was only one option that was consistent with the academic vocation: that was the last. That orientation, that desire to engage in significant issues, issues that transcend the concerns of his profession at the time, has influenced and coloured Jim's work throughout his long career.

I've told you these things not just to give you a context for Jim's lecture and tell you something about his history, but to make a slightly different point as well: which is that it is particularly suitable that Jim should be giving this Bonython lecture tonight under the aegis of CIS. I think Jim embodies in himself the two values that CIS stands for. First, the independence — the doing one's own thing, whatever the trends, and whatever the cost, and the love of ideas for their own sake; and second, a belief in the power of ideas to shape the world we live in, and finally to shape it for the better. Ladies and gentlemen, I give you James Buchanan.



James Buchanan

James M. Buchanan is Harris Professor of Economics at the Center for Study of Public Choice, George Mason University, Fairfax, Virginia. He has held academic posts at the University of Florida, the University of Virginia, the University of California, and the Virginia Polytechnic Institute. In 1986 he was awarded the Nobel Prize for Economics in recognition of his work on political processes.

He is the author of numerous works on public choice, including *The Calculus of Consent* (1962; coauthored with Gordon Tullock); *The Limits of Liberty* (1975); *Freedom in Constitutional Contract* (1977); *The Power to Tax* (1980; coauthored with Geoffrey Brennan); *The Reason of Rules* (1985; coauthored with Geoffrey Brennan); and *Liberty, Market and State* (1986). He contributed the essay 'The Limits of Taxation' to the 1982 CIS collection *The Constitutional Challenge*.

Socialism Is Dead But Leviathan Lives On

James M. Buchanan

I appreciate the opportunity to give this John Bonython Lecture, and especially to follow in that very distinguished succession of previous lecturers, all of whom are friends of mine.

More than a century ago, Nietzsche announced the death of God. Behind the drama of its presentation, this statement was intended to suggest that the omnipresence of God no longer served as an organising principle for the lives of individuals or for the rules of their association, one with another. If we can disregard the revival of fundamentalism, notably in Islam, we can refer to this century as one 'without God'. And, indeed, many of the horrors that we have witnessed find at least some part of their explanation in the absence of human fear of a deity's wrath.

I want to suggest here that, since Nietzsche, we have now passed through an interim period of history (roughly a century) during which, in one form or another, the God pronounced dead was replaced in man's consciousness by 'socialism', which seemed to provide, variously, the principle upon which individuals organised their lives in civil society. And I want to match Nietzsche's announcement with the comparable one that 'socialism is dead'. This statement seems much less shocking than the earlier one because it has and is being heard throughout the world in this year, 1990. I suggest, further, that the gap left by the loss of faith in socialism may, in some respects, be equally significant in effects to that which was described by the loss of faith in the deity. In a very real sense, the loss of faith in socialism is more dramatic because it is at least traceable to the accumulation of quasi-scientific evidence. The god that was socialism took on forms that were directly observable; there were no continuing unknowns waiting to be revealed only in another life. And the promised realisation of the socialist ideal could not be infinitely postponed in time. In other words, the god that was socialism is demonstrably dead; there could have been

no comparable statement made subsequent to Nietzsche's announcement.

These are strong claims, and I intend them as such. Socialism promised quite specific results; it did not deliver. It failed in the straightforward meaning of the word. And those of us who are in positions to think about ideas and their influence can only look back in amazement at the monumental folly that caused the intellectual leaders of the world, for more than a century, to buy into the 'fatal conceit' that socialism embodied — 'fatal conceit' being the wonderfully descriptive appellation recently introduced as the title of F. A. Hayek's last book (*The Fatal Conceit: The Errors of Socialism*, 1988). How did we, as members of the academies and intelligentsia, come to be trapped in the romantic myth that politically organised authority could direct our lives so as to satisfy our needs more adequately than we might satisfy them ourselves through voluntary agreement, association and exchange, one with another? I suspect that, literally, thousands of man-years will be spent in efforts fully to answer this question. I shall return to the question briefly later in this lecture. But first, I want to emphasise that the 'fatal conceit' was almost universal. Let us now beware of current attempts to limit acceptance of the socialist myth to those who were the explicit promulgators and defenders of the centrally-planned authoritarian regimes of the USSR and its satellites. There were socialists among us everywhere, in all societies, at all levels of discourse, and, even in the face of the evidence that continues to accumulate, there are many who still cannot escape from the socialist mind-set. And even for those of us who have, somehow, shifted away from the mind-set of socialism, and who acknowledge, however begrudgingly, that the socialist god is dead, there may not have emerged any faith or belief in any non-socialist alternative. We may accept socialism's failure; we may not accept the alternative represented by the free market or enterprise system, even as tempered by elements of the welfare or transfer state.

Socialism and Individualism

I shall, first, try to define socialism, lest we allow those who enjoy the exploitation of our language to shift the meaning of terms before we realise what is happening. Socialists everywhere, confronted with the evidence that economies organised, wholly or partially, on socialist principles cannot deliver the goods, are now making desperate efforts to redefine the term 'socialism' to mean

something quite different from its received meaning, either in its historical development or in modern reality. To counter all such efforts at the outset, we can perhaps do no better than to consult the source books. The entry on 'socialism' in *The New Palgrave: A Dictionary of Economics* (Macmillan: London), and published as recently as 1987, is by Alec Nove, a distinguished British scholar, who is himself a socialist. Nove's definition is as follows:

Let us provisionally accept the following as a definition of socialism; a society may be seen to be a socialist one if the major part of the means of production of goods and services are not in private hands, but are in some sense socially owned and operated, by state, socialised, or cooperative enterprises. (p.389)

As Nove emphasises, the key elements in this definition are summarised in the shortened statement that 'the means of production . . . are not in private hands'. Socialism, as a guiding principle for organisation, is opposed directly to 'individualism', which could be summarised in the statement that 'the means of production are in private hands'. A more extended definition would include the corollary statement that the means of production, the resource capacities to produce that which is ultimately valued by persons, are **owned** by individuals, that is, **privately**, and that such ownership carries with it the liberty, and the responsibility, to make the relevant choices as to how, when, where and to what purpose these resource capacities will be put.

Only in an economy that emerges out of the complex exchange interrelationships among persons who privately own and control resource capacities can the incentives of resource suppliers be made compatible with the evaluations that persons as final demanders place on goods and services; only in such an economy can the resource suppliers, separately and independently, fully exploit the strictly localised information that emerges in the separate but inter-linked markets; only in such an economy can the imaginative potential of individuals to create that which other persons may value be allowed to operate.

It is now, in 1990, almost universally acknowledged that such an economy 'works better' than a socialised economy in which decisions on resource use are made non-privately, that is, by state or cooperative agencies. And the meaning of 'works better' is quite straightforward: the private-ownership, individualised economy

produces a higher valued bundle of goods and services from the resource capacities available to the individuals in a politically organised community. The only proviso here is that the value scalar, the measure through which disparate goods and services are ultimately compared, must be that which emerges from the voluntary exchange process itself. If the value scalar is, itself, determined by the centralised socialist planners, there is, of course, no reason to think that the private ownership economy will 'work better' in generating more 'value' along this measure.

Classical Political Economy

It is sometimes too easy to overlook the simple principles in our headlong rush to get into the complexities. Let me pause, therefore, to emphasise what I have already said here. The private-ownership, market economy 'works better' than the socialised economy; it produces more goods. But, and at the same time, it allows individuals more liberty to choose where, when and to what purpose they will put their capacities to produce values that they expect others to demand. Should we be surprised, therefore, when our history texts tell us about the genuine excitement that the discovery of the principles of classical political economy generated? Only with the philosophers of the 18th century did it come to be understood, for the first time, that the private-ownership economy could, indeed, make nations wealthy, but, at the same time, could ensure persons the liberty to make their own choices. These were heady ideas; it is little wonder that several generations of intellectual and political leaders were so aroused. Persons could be free from coercion by other persons and get rich at the same time, provided only that the state organised the legal-political framework for protection of private properties and for the enforcement of voluntary contracts. This discovery of the complementary values of freedom and well-being that the market order makes possible did indeed seem wonderful. And of course we know that this same complementarity is now being rediscovered all over again in so many lands.

Why, then, did the principles of classical political economy, which seemed so strongly to suggest the relative superiority of a market or free enterprise economy, lose their persuasive powers so quickly? Why did the intellectual leaders and social philosophers abandon *laissez faire* from roughly the middle of the 19th century and throughout most of this century?

Socialism Triumphant

We must, I think, appreciate the rhetorical genius of Marx in his ability to convert arguments advanced in support of market organisation into what could be made to appear to be support for a particular distributional class, the capitalists. By clever substitution of emotion-laden terminology, the market system became 'capitalism', and the search of every person for his own advantage became the profit-seeking of the greedy capitalists. This rhetorical genius, coupled with totally erroneous economic analysis embedded into pseudo-scientific jargon about the laws of history, was highly successful in elevating the distributional issue to centre stage, to the relative neglect of the allocational and growth elements that were central in the classical teachings. And, further, the whole Marxian-socialist challenge was introduced into the political arena in the middle of the post-Hegelian epoch, during which the state was conceptualised only in a romantic vision completely divorced from the observable reality of politics.

(Let me pause to say here that I do not intend to present the socialist defence in caricature. I speak as one who shared fully in the socialist mind-set, from which, thanks to Frank Knight, I escaped relatively early in my career. But I appreciate the appeal of the Marxist-socialist ideas even if, now, I cannot explain it.)

There is no need to review in detail the history of the socialist century-and-a-half. Governments everywhere resumed their natural proclivities to interfere with the liberties of persons to make exchanges, and now supported by arguments that politicised control of economic decisions was necessary to correct market failures.

Lenin exploited the chaos of Russia to introduce the first fully socialist system of organisation, the consequences of which we now know too well. But recall that during the early decades, the Soviet Union was held out as paradise by socialists in the West, both in Europe and America. After World War II, socialism reigned triumphant; Eastern Europe was absorbed into the Soviet political orbit; countries in Western Europe socialised their economies, to greater or lesser degrees. Even where economies were largely allowed to remain free of politicised interferences, Keynesian-inspired macromanagement was supported by arguments about the tendency of capitalism to generate massive unemployment.

Socialism in Retreat

The triumph of socialism, either in idea or reality, was never complete. There were isolated residues of understanding of classical political economy, and some markets were allowed to remain free from politicised direction, and particularly in Western countries. Nonetheless, it remains accurate to describe the central and generalised thrust of politics as 'socialist' up to and including the decade of the 1950s and early 1960s.

Between the early 1960s and today, the early 1990s, socialism became ill and died. What happened? There were two sides to the coin, which may be succinctly summarised as 'market success' and 'political failure'. The accumulation of empirical evidence must ultimately dispel romance. And the evidence did indeed accumulate over the three decades to demonstrate that free market economies performed much better than politically directed or planned economies. The German *Wirtschaftswunder* should not be overlooked in this potted history. The economic reforms that Erhard implemented were based on an avowed acceptance of the principles of a market economy, and the principles were demonstrated to work. Germany achieved economic recovery rapidly in the 1950s and 1960s. By contrast and comparison, the socialist experiments tried out in Britain in the late 1940s and early 1950s proved to be demonstrable failures. Nationalisation did not produce the goods that had been promised. The Sputnik showpiece that seemed to suggest rapid Soviet development proved to be just that, a showpiece and nothing more. Honest evaluation suggested that the centralised economies of the Soviet Union, China and East European countries were not successful in producing goods and services. In the United States, the extended overreaching of the welfare state in the 1960s set off predictable citizen reaction.

Ideas also matter. And here the record of the academic economists remains, at best, a very mixed bag. The great debate about the possible efficiency of the centrally planned economy, the 1930s debate over socialist calculation, between Mises and Hayek on the one hand and Lange and Lerner on the other, was judged by economists to have been won by the socialist side. Furthermore, the theoretical welfare economists of the early and middle decades of this century were primarily, indeed almost exclusively, concerned with demonstrating the failures of markets, with the purpose of providing a rationale for political interferences.

But the public-choice revolution in ideas about politics, and political failures, was also sparked primarily by academic economists. When the very elementary step is taken to extend the behavioural models of economics to apply to public choosers, to those who participate variously in political roles, as voters, politicians, bureaucrats, planners, party leaders, etc., the romantic vision that was essential to the whole socialist myth vanishes. If those who make decisions for others are finally seen as ordinary persons, just like everyone else, how can the awesome delegation of authority that must characterise the centralised economy be justified? I do not suggest here, in any way, that public choice theory set off the reaction against politicisation, socialism and other variants of the controlled economy. The reaction, which has now extended over the whole world, was surely triggered directly by the many decades of the observed record of political failures. Public choice, as a set of ideas, was, I think, influential in providing an intellectual basis which allows observers to understand better what it is they can directly observe. Political failure was everywhere observed; public choice supplied the explanation as to why the observations were valid.

The Absence of Faith

I stated earlier that there were two sides to the coin: market success and political failure. Both the observations and the ideas that have been developed over the period of socialist retreat have concentrated on the second of these, that is, on political failure. There now exists widespread scepticism about the efficacy of politics and political solutions to achieve economic results. Bureaucracies are mistrusted; politicians are not the heroes of legend. The socialist principle of organisation is not expected to work well. The faith in political and government nostrums has all but vanished, as a principle.

This loss of faith in politics, in socialism broadly defined, has not, however, been accompanied by any demonstrable renewal or reconversion to a faith in markets, the *laissez faire* vision that was central to the teachings of the classical political economists. There remains a residual unwillingness to leave things alone, to allow the free market to organise itself (within a legal framework) in producing and evaluating that which persons value. We are left, therefore, with what is essentially an attitude of nihilism toward economic organisation. Politics will not work, but there is no generalised

willingness to leave things alone. There seems to be no widely shared organising principle upon which persons can begin to think about the operations of a political economy.

The Natural Emergence of Leviathan

It is in this setting, which does seem to be descriptive of the era into which we are so rapidly moving, that the natural forces that generate the Leviathan state emerge and assume dominance. With no overriding principle that dictates how an economy is to be organised, the political structure is open to maximal exploitation by the pressures of well-organised interests which seek to exploit the powers of the state to secure differential profits. The special-interest, rent-seeking, churning state finds fertile ground for growth in this environment. And we observe quite arbitrary politicised interferences with markets, with the pattern of intervention being dependent strictly on the relative strengths of organised interests.

This setting, which I have referred to as Leviathan, has much in common with the mercantilist-protectionist politics that Adam Smith attacked so vehemently in his great book in 1776. Hence, in two centuries we seem to have come full circle. The selfsame barriers that Adam Smith sought to abolish are everywhere resurging, as if from the depths of history. And the selfsame arguments are heard in the land, both in support and in opposition. The arguments for Leviathan's extensions are not versions of the socialist's dream; they are, instead, simple efforts to claim a public interest in a single sector's private profit.

Towards Constitutional Limits

There will be no escape from the protectionist-mercantilist regime that now threatens to be characteristic of the post-socialist politics in both Western and Eastern countries so long as we allow the ordinary or natural outcomes of majoritarian democratic processes to operate without adequate constitutional constraints. We have learned to understand interest-group politics; we no longer have a romantic vision as to how the state operates. If we have not rediscovered, and do not rediscover, and understand the precepts of *laissez faire*, as organising principles, it will be necessary to address that which we do know and have learned. If we know that politics fails and that its natural proclivity is to extend its reach beyond tolerable bounds, we may be led to incorporate constraints into a

constitutional structure. Depoliticised economic order is within the realm of the politically-constitutionally possible, even if the accompanying faith in market organisation is not fully regained. We can protect ourselves against the appetites of the monster that the Leviathan state threatens to become without really understanding and appreciating the efficiency-generating properties of the market.

A threshold was crossed in the 18th century when we learned how the rule of law, stability of private property and the withdrawal of political interference with private choices, could unleash the entrepreneurial energies that are latent within each of us. The modern age was born. Humankind seemed near to the ultimate realisation of its socially organised potentiality only to have this future threatened and in part forestalled by the emergence of the socialist vision, a vision that has now been shown to be grounded in romance rather than in scientific understanding. The central flaw in the socialist vision was its failure to recognise the limits of politicised organisation.

Recognising the limits in order to avoid harm is as important as recognising the potential that may be achieved within those limits. The organised polities of the nation-states, and the associations among those states, must be kept within constitutional boundaries. The death throes of socialism should not be allowed to distract attention from the continuing necessity to prevent the overreaching of the state-as-Leviathan, which becomes all the more dangerous because it does not depend on an ideology to give it focus. Ideas, and the institutions that emerge as these ideas are put into practice, can be killed off and replaced by other ideas and other institutions. The machinations of interest-driven politics are much more difficult to dislodge. Let us get on with the task.

Closing Remarks

The Honourable Nick Greiner Premier, New South Wales

Sydney hasn't always been known as a thriving centre of ideas. But in recent years, I think we've improved. Before I actually move a vote of thanks, I'd like to say a few words about CIS in that context.

Ideas are important. In fact, half way through his speech Professor Buchanan said 'Ideas also matter', and he went on to develop his argument. I think we in Australia at large, and perhaps in Sydney in particular, for some social and cultural reasons have tended to underplay the importance of ideas over our history. It's fair to say that the Centre for Independent Studies over the last 14 years has really been the one continuing, relatively long-term player advocating the set of ideas of which we've heard such an eloquent exposition this evening: ideas about the importance of individualism, the importance of freedom, the importance of enterprise and private initiative. I'm quite happy to say that many of the achievements of my government of which I'm very proud, in areas like freeing up markets, such as in eggs and bread, the deregulation of trading hours, and so on, have been policies in which Greg Lindsay and the authors that he inveigles and otherwise encourages have been very many years ahead of the game; very many years ahead not only in terms of public understanding, but even indeed in terms of the intellectual and academic arguments. And I want to take advantage of this opportunity to say how much I value the contribution that the CIS has made over the years, as do, I believe, people who don't approach issues from the same perspective as CIS.

The Lecture tonight was particularly relevant to Australia. It is of course applicable throughout the world, although it clearly is necessary to look at these things within a particular cultural and historical cultural context. But we ought to recognise that in Australia we have made an art form of government for vested interest, more so perhaps than any other country. That applies at the

national level, and it most certainly applies at the State level around the nation. We need to recognise that we in Australia have throughout our democratic history been living in a society that is right at one end of the international spectrum in terms of the influence of vested interests and the subservience of governments, on both sides of the political fence, to those interests. It follows that there is all the more to be gained by taking on interest-driven politics. There's all the more to be gained, as Professor Buchanan said at the end of his speech, by dislodging interest-driven politics from its position of privilege, its central position in our society.

There is a small marketing problem, namely, that of finding the constituency for the general interest to oppose to the vested interest groups. The latter of course are easy to find; they are vocal, they have clear and precise access to the media, and media sympathy; they usually have a very clear view of benefits and costs, and naturally a very selfish view of benefits and costs. The general interest, on the other hand, is by its very nature diffuse. The benefits to that general interest tend to be long-term rather than short-term. There is a preponderance of 'not in my back yard' types who would, without any hesitation, accept the general thrust of what Professor Buchanan said except when it applies to them. I suspect that somewhere in that dilemma lies the real challenge for those of us, like Mr Carr and myself, who are practising in the field of politics, who are endeavouring to avoid the failure of politics and the politics of failure as well. The challenge lies in endeavouring to find the effective mechanisms for marketing the benefits of the sort of approach that Professor Buchanan outlined so clearly tonight.

In the concluding sentence of your lecture, Professor, you have left all of us, not simply the practising politicians, but those of us who are interested in the genuine well-being of not only this generation but subsequent generations of Australians, with a very real challenge. We really do need to do something about dislodging interest-driven politics, and I'm glad that at least some of us are getting on with it. Thank you very much.

Closing Remarks

Bob Carr **Leader of the Opposition,** **New South Wales**

In 1978, in another lifetime, I was working at the Labor Council of New South Wales, and John Ducker rang me up from Melbourne, where he was attending an ACTU executive meeting. He said, 'Where's my speech for the State conference?' (I was in the process of writing his Presidential address for the 1978 State ALP conference.) I thought to myself, 'I'll give you a speech'. And I sat down and wrote a speech about the death of socialism and the need for the Labor Party to drop its socialist objective; and I sent it off to the printer without John having had a chance to look at it. When 1000 delegates from unions and ALP branches to the conference opened their conference booklet and saw John's rallying-call to rationality, all hell broke loose.

In 1986, when I was a Minister in the last New South Wales government, I was invited to address a Fabian Society seminar in Melbourne, the ideological heartland of Australian socialism. The seminar was on the future of socialism; and I argued unapologetically, and even more strongly than I argued under John Ducker's name, that socialism was dead. I said that it had never enjoyed much support; it was dead in the socialist world; it was dead in the Western world; it had been the subject of a field experiment since 1917, and had failed. As I uttered these unchallengeable truths, I saw faces turn pasty white all around me.

As a result of going through that debate, I welcome Professor Buchanan's very strong observation that socialism doesn't mean feeling good; it doesn't mean, in the words of William Lane, an Australian Labor leader, 'being mates'; it means state ownership and state control. It means, as Alec Nove has argued in a different context, state power in the economy. In the context of 1980s and 1990s, that's no longer tenable.

But I think Professor Buchanan's challenge is not on that score, because that's now agreed. I've won that debate! It's right to throw down the challenge to practising politicians like Nick Greiner and myself to prevent that inherent expansionism in the state sector rearing up on every occasion, tempting politicians into risky decision-making, without a proper evaluation of what is in the public interest. A constitutional guarantee to guard against this? I wonder. We live in a country largely run by constitutional lawyers; whether putting more power in their hands is a guarantee against the excesses of Leviathan is something I'd need to think deeply about. The guarantee is in a lively public debate, in a public that is sceptical of the promises politicians make, and has ruled out accepting any further increases in taxation. That's a real limit, and politicians are being forced to respond to it. A Federal Labor government elected in 1983 proudly proclaimed that it has reduced Federal government spending as a proportion of GDP. The climate's changing.

Still there are ambiguities in it. Any opinion poll in the Western world shows that a majority of voters would accept higher taxation if it were used to clean up the environment. There is the contradiction of Japan: a great success story, but in no sense the pure market economy that seems to be the model for success, say, in Western Europe. There is, however, as Professor Buchanan said, in the post-war world the shining example of the German economic miracle, which I think has been, more than any other model, the beacon of hope for Eastern European people now reaching for political and economic freedom. So out of all these contradictions policymakers have to promote not the good of interest groups but the public good. The debate is about limiting that capacity for expansion in the State sector, the instincts of Leviathan.

As the only Labour Party leader, not just in Australia but in the world, who's been consistently saying for some time that socialism is dead, it's a delight for me to accept the invitation from this highly-esteemed group, the Centre for Independent Studies, to move a vote of thanks, and to take this opportunity to welcome the contribution that Professor Buchanan has made to what is the central question of political economy, not just in the Western world but, after the momentous events of the last year, throughout the world.

The Social Welfare Research Program

Current Publications

The Centre for Independent Studies' Social Welfare Program has commissioned studies by qualified economists and other social researchers and thinkers into the various aspects of the welfare issue and the policy options available to governments dedicated to serious welfare reform. A series of books will be published under the Social Welfare Research Program — four have already appeared, including *Welfare State or Constitutional State?*. The other three books are:

Social Welfare: The Changing Debate by David G. Green.

This book summarises the research findings and arguments of several recent studies of welfare dependency.

Green makes two especially important points. The first is that the terms of the new debate on welfare are not really so new, but go back several centuries. Reformers have always agonised over what to do about 'the undeserving' poor, those whose end determined to scrape through life by depending on others. Green's second point is that the Victorian era coped remarkably well with dependency; not so much because of the rigours of the workhouse, but because the friendly societies, those voluntary, mutual aid organisations, did such a fine job in sustaining the independence and self-respect of the working man and his family.

David G. Green is currently the Director of the Health Unit at the Institute of Economic Affairs, London. He is the author of several articles on politics and social policy, and his latest book, *Everyone A Private Patient*, was published by the IEA in 1988.

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Max **Hartwell** is a Visiting Professor at the Australian Graduate School of Management and a Senior Fellow of the Centre for Independent Studies. He is also Professor of Economics at the University of Virginia in the US. He has been a Fellow of Nuffield College in the University of Oxford since 1956.

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Socialism Is Dead But Leviathan Lives On

James M. Buchanan

In the seventh John Bonython Lecture, James Buchanan observes that the death of socialism has not been accompanied by the rise of any widespread faith in the free enterprise system, even though that system has shown itself to be superior to socialism in producing prosperity. 'Politics will not work, but there is no generalised willingness to leave things alone.'

Public choice theory has helped to explain the failures of politics by demonstrating how vulnerable political processes are to pressure from organised special interests. That pressure will continue to bring about the expansion of state intervention until we learn how to contain politics within its proper limits. 'The death throes of socialism should not be allowed to distract attention from the continuing necessity to prevent the overreaching of the state-as-Leviathan, which becomes all the more dangerous because it does not depend on an ideology to give it focus.'

James Buchanan is Professor of Economics at the Center for Study of Public Choice at George Mason University, Fairfax, Virginia. In 1986 he was awarded the Nobel Prize for Economics in recognition of his work on 'public choice', a method that applies microeconomic methods to the analysis of political processes. His works include *The Limits of Liberty* (1975), *Liberty, Market and State* (1986) and, with coauthor Geoffrey Brennan, *The Power to Tax* (1980) and *The Reason of Rules* (1985).

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 sponsors a lecture to examine the relationship between individuals and the economic, social and political factors that make up a free society. The lectures are published in the CIS Occasional Papers series.