

**The Modern Mask
of Socialism**

Antonio Martino

THE CENTRE FOR
INDEPENDENT
STUDIES

The John Bonython Lectures



The Centre for Independent Studies is a non-profit, private sector policy research institute. Its major concern is with the principles and conditions underlying a free and open society. The Centre's activities cover a wide variety of areas dealing broadly with social and economic policy. It emphasises the role of markets and other voluntary processes in providing many of the goods and services normally supplied by the compulsory methods of government.

The Centre meets the need for informed debate on issues of importance to a free and democratic society in which individuals and business flourish, unhindered by government intervention. In encouraging competition in ideas, The Centre for Independent Studies carries out an activities program which includes:

- research
- holding lectures, seminars and policy forums
- publishing books and papers
- issuing a quarterly journal, *Policy*

For more information, see the inside back cover.

Executive Director

Greg Lindsay

Editor

Charles Richardson

The Centre's research work is assisted by a Council of Academic Advisers

Professor H.W. Arndt

Professor Helen Hughes

Professor Ray Ball

Professor Wolfgang Kasper

Professor Geoffrey Brennan

Professor Kenneth Minogue

Professor Lauchlan Chipman

Professor R.R. Officer

Professor Kenneth Clements

Professor Ross Parish

Professor David Emanuel

Professor Steven Schwartz

Professor Ian Harper

Professor C.G.F. Simkin

Professor R.M. Hartwell

Professor Judith Sloan

Professor Warren Hogan

Professor Peter Swan

Professor Geoffrey de Q. Walker

PO Box 92 ST LEONARDS 1590 AUSTRALIA

Phone: (02) 9438 4377 • Fax: (02) 9439 7310

World Wide Web: <http://www.cis.org.au>

PO Box 5529, LAMBTON QUAY, 3785, NEW ZEALAND

Telephone: (04) 499 5861 Fax: (04) 499 5940

The Modern Mask of Socialism

Antonio Martino

Occasional Papers 66





The Modern Mask of Socialism

Antonio Martino

THE FIFTEENTH ANNUAL JOHN BONYTHON LECTURE
THE GRAND HYATT, MELBOURNE
21 OCTOBER 1998



1998

Published November 1998 by

The Centre for Independent Studies Limited.

Views expressed in the publications of the Centre for Independent Studies are those of the authors and do not necessarily reflect the views of the Centre's staff, Advisers, Directors or officers.

National Library of Australia

Cataloguing-in-Publication Data:

Martino, Antonio.
The modern mask of socialism.

Bibliography.
ISBN 1 86432 037 0.

1. Socialism - Europe, Western. 2. Capitalism - Europe, Western.
3. Post-communism. 4. Europe, Western - Politics and government. I. Centre for Independent Studies (Australia). II. Title.
(Series : John Bonython lectures ; 15th). (Series : CIS occasional papers ; 66).

335.0094

© 1998 The Centre for Independent Studies.
Layout and design by Daryl-Anne Le Roux
Printed by Alken Press, Smithfield, NSW.
Typeset in Garamond 10pt.

Opening Remarks

Alan McGregor
Chairman, CIS Board of Directors

As Chairman of the Board of the Centre for Independent Studies it is my great pleasure to welcome you all to this event. I particularly welcome the members and all the guests of the members, and more particularly Antonio Martino, who is tonight's lecturer, and Carol, his wife.

Let me start also by thanking our friends at Macquarie Bank who have been kind enough to sponsor this event.

This is the CIS's annual gathering held alternatively in Sydney and Melbourne to celebrate the values of freedom, a liberal society, free market economics and good public policy. We gather in convivial circumstances to hear a distinguished visitor renowned for learning and achievement to stimulate our own thinking and conversation.

As you will hear from Rob McLean, who will introduce him, Antonio Martino has qualifications in abundance to be a Bonython Lecturer and to challenge any of us who may tend to become complacent with our lot.

Against the background of a western world wondering if it is about to be drawn into turmoil by volatile markets responding to the economic and financial troubles of a substantial part of the world's population, it is timely to emphasise the value and the importance of good public policy and sound government. Most of the countries troubled at this time can look back on policies and behaviour that are now seen to have produced adverse consequences. Australia is fortunate to have had the benefit of sound government and good economic and financial management in recent years, and to be facing up to the need for continuing reform.

I do not think we at the CIS boast too much to claim some contribution towards the awareness of public issues and development of policies for improving our communities and the lives of our people. Our role has been publicly acknowledged by many including the Prime Minister and the Premier of New South Wales. May I mention just two of our current activities as examples of the scope of our work.

First - the CIS has recently concluded a three year program called 'Taking Children Seriously' under the leadership of Barry Maley. This

covered all areas of concern for our children; families and their importance as the fulcrum of society, education, crime, welfare and the growing culture of dependence, employment opportunities and so on. Responding to the interest shown in this work we are now starting *Taking Children Seriously, Part II*. We are indebted to those who have supported this program thus far and in a continuing way. I am delighted to be able to thank key Melbourne supporters Dame Elizabeth Murdoch, David Darling and the Calvert-Jones family in this respect. The nation's benefit in having a well educated and motivated population cannot be underestimated. We can, and we should, improve on numerous of our current circumstances. The solution is not necessarily more money, it is better policies, and that is what our work seeks to promote.

Secondly, we have been running two seminars called Liberty & Society each year since 1996 for selected university students from Australia and New Zealand. I think some of the participants from past seminars are here tonight. These weekend gatherings are designed to expose the potential opinion leaders of the future to the work and ideals of the CIS and to create interest in areas of history, economics, law and the political system that they may not have studied in their courses. We believe these activities are proving extremely valuable for the participants, and as a means of promoting discussion and interest in examining why, in the long run, some ideas work and others do not. Again it is with great pleasure and gratitude I acknowledge the Potter Foundation's sponsorship and support of these seminars. It is indeed a valuable contribution to the education, in its widest sense, of influential young people.

The CIS relies entirely on private financial support. It does not seek or receive government funding and its independence is part of its strength. There is a corresponding weakness, however, and that is our constant need to canvass for ongoing financial contributions. I will keep the commercial to a minimum, but I do want to thank all those who do support us, some of whom I see here. I seek a hearing from those who might join that group of people and companies who believe our society will be a better place for us and our children for the development and promotion of good ideas and policies.

We will now have the first course, followed by the Lecture, and then the main course. There will be time for just a few questions to Professor Martino after that, and then Steven Skala will conclude the speeches.

I hope you all enjoy the evening - I'm sure you will.

Introduction

Rob McLean

Board Member

The Centre for Independent Studies

It is my pleasure to introduce Antonio Martino. Over the years, the Bonython Lecture has brought to Australia an extraordinary range of distinguished people. It is unusual for the Lecture to be given by a serving politician, the last being Václav Klaus, then Finance Minister of Czechoslovakia, until recently Prime Minister of the Czech Republic.

Italy is in the news at the moment, with the fall of the 'Olive Tree' coalition under Romano Prodi, who had the record in sight for Italy's longest serving government, the 55th, since World War II. Antonio and his wife, Carol, were in Port Douglas, and were fearful of the call to return for the vote. Fortunately, that hasn't happened, and they are here this evening with us.

Professor Martino studied law at the University of Messina, but he did his graduate work in economics at the University of Chicago with Milton Friedman and George Stigler. On returning to Italy he taught at the University of Messina and the University of Naples before being appointed to the Chair of Monetary History and Policy at the University of Rome in 1979. He remained there until taking up his present position as Professor of Economics and Chairman of the Department of Political Science at the Free International University in Rome in 1992.

In that time, Professor Martino has written 11 books and more than 150 papers on economic theory and economic policy. His most recent books are *Economica e libertà* ('Economics and Liberty') and *Stato padrone* ('Government, Our Boss'). The Centre for Independent Studies helped to bring his work to an English-speaking audience with the publication of his occasional paper *Are We Winning?* in 1990.

Professor Martino is a man of ideas and action. He has always been willing to take the fight for liberty to a wider audience, being a frequent contributor to European magazines and newspapers and a guest on radio and television. He has been involved with numerous international organisations, and he is a past President of the Mont Pelerin Society, the influential group of classical liberal thinkers founded by Friedrich Hayek

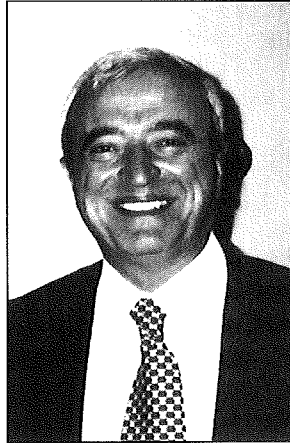
in 1947, which boasts people like Milton Friedman and the CIS's Greg Lindsay as members.

In 1994, Antonio was elected to the Italian parliament and became Minister of Foreign Affairs, a position that his father also held (in fact his father was one of the founders of the European Union, being a signatory to the Treaty of Rome). Although the government of which he was a member lost office the following year, he was re-elected to parliament in 1996 and is a key member of *Forza Italia*, which at the moment is Italy's largest opposition party - although, given the way things are going, he could well be back in government in the near future.

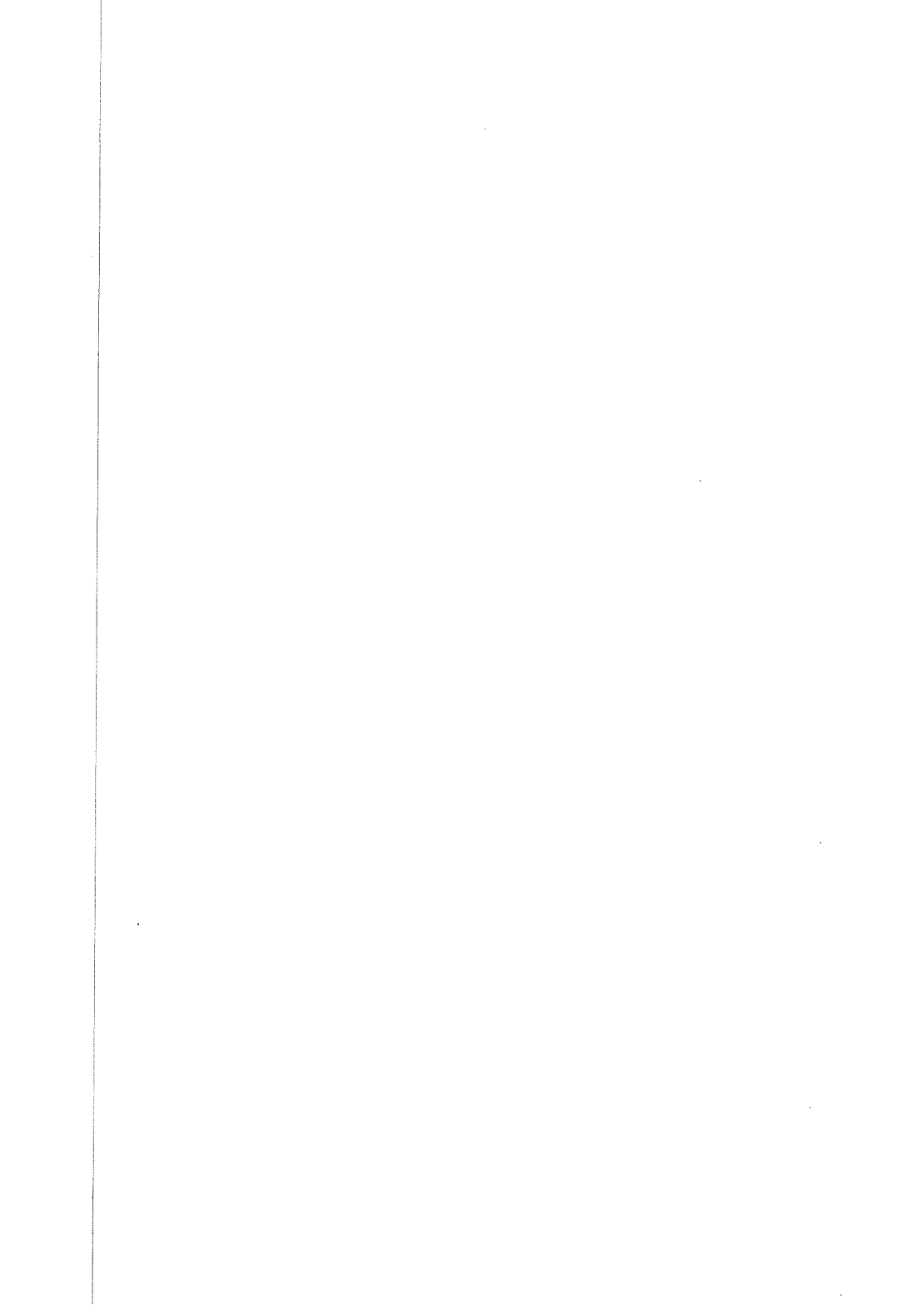
Professor Martino's topic tonight is 'The Modern Mask of Socialism.' Is the rise of socialist governments across most of Europe a cause for concern? Is there a backlash against the values of the free society? Or do we still have reason to be optimistic about the prospects for political and economic freedom?

I can think of no-one better qualified than Antonio Martino to speak to us on these issues. He is an example of the sort of intelligence and commitment that politics desperately needs, but all too rarely attracts. Please join with me in welcoming him to present the 15th annual John Bonython Lecture.

About the Author



Antonio Martino is Professor of Economics and Chairman of the Department of Political Science at the Free International University (LUISS Guido Carli) in Rome, currently on parliamentary leave. He was elected to the Italian Parliament in 1994 and was Minister of Foreign Affairs in 1994-95. He was one of the founding members of *Forza Italia*, currently Italy's largest opposition party. He has been active in a number of international organisations, and was President of the Mont Pelerin Society from 1988-1990. Professor Martino has written 11 books and more than 150 papers on economic theory and economic policy. His most recent books are *Economica e libertà* ('Economics and Liberty') and *Stato padrone* ('Government, Our Boss'). The Centre for Independent Studies published his occasional paper *Are We Winning?* in 1990.



The Modern Mask of Socialism

Professor Antonio Martino

Definitions

Words change their meaning through time, and occasionally they end up acquiring a meaning opposite to the original one. For example:

[Economic liberalism is] the theory that the best way of promoting economic development and general welfare is to remove fetters from the private-enterprise economy and to leave it alone. ... the term has acquired a different - in fact almost the opposite - meaning ... : as a supreme, if unintended, compliment, the enemies of the system of private enterprise have thought it wise to appropriate its label (Schumpeter 1954: 394).

'Socialism' has undergone a modification almost as radical as that suffered by 'liberalism' - its opposite - in the United States. For the greatest part of the twentieth century, 'socialism' has meant:

the abolition of private enterprise, of private ownership of the means of production, and the creation of a system of 'planned economy' in which the entrepreneur working for profit is replaced by a central planning body (Hayek 1944/1962: 24).

Both terms have changed their meaning. However, it can be argued that, whereas the change of meaning of 'liberalism' is due to its success, the corresponding change in the meaning of 'socialism' is due to its abysmal failure.

Today, very few people who call themselves socialists seem prepared to advocate this kind of socialism. In fact those ideas seem in danger of extinction, surviving only in Vietnam, Cuba, and Harvard University. I intend to deal with the process through which 'socialism' has changed its meaning, and try to answer the question of what it exactly means to be a 'socialist' today.

The century of the State

The century that is coming to its end has been the century of the State, a century of dictators, the century of Hitler and Stalin, as well as the

century of arbitrary government, and of unprecedented intrusion of politics into our daily lives – a fascist century. It has produced the largest increase in the size of government in the history of mankind. Just to mention a single, but very significant, indicator: in 1900 the ratio of government spending to GDP in Italy was 10%, in the 1950s 30%, and it is now roughly 60%. Similar considerations apply to most countries.

In this sense, a prophecy has been confirmed. In the entry 'Fascism' in the *Enciclopedia Italiana*, signed by Benito Mussolini,¹ one reads:

If the 19th century has been the century of the individual (for liberalism means individualism), it may be conjectured that this is the century of the State ... that this is the century of authority, a Fascist century.

From the point of view of the role of government in society, during the inter-war years there was little to choose between the Right and the Left: the Right was prepared to do in the name of the Nation what the Left wanted to do in the name of the Class, but their programs were very similar. Take the following statement:

We are socialists, we are enemies of today's capitalistic economic system for the exploitation of the economically weak, with its unfair salaries, with its unseemly evaluation of a human being according to wealth and property instead of responsibility and performance, and we are all determined to destroy this system under all conditions (1 May 1927; quoted by Toland 1976: 306).

These words were uttered by Adolf Hitler! They confirm the basic theme of Hayek's *Road to Serfdom* that 'the rise of Fascism and Nazism was not a reaction against the socialist trends of the preceding period, but a necessary outcome of those tendencies.'

Hayek adds: 'It was the prevalence of socialist views and not Prussianism that Germany had in common with Italy and Russia' (Hayek 1944/1962: 7). Ivor Thomas, in a book apparently intended to explain why he left the Labour party, comes to the conclusion that 'from the point of view of fundamental human liberties there is little to choose between communism, socialism, and national socialism. They are all examples of the collectivist or totalitarian state ... in its essentials not only is completed socialism the same as communism but it hardly differs from fascism' (Thomas 1949: 241-242, quoted by Hayek 1967: 227). Of course, Hayek's thesis is as hotly denied today by many socialists as it

1 But apparently written by philosopher Giovanni Gentile.

was when it first appeared more than fifty years ago. However, it is also true that most socialists today disassociate themselves from communism and its history.

Pessimism

In other words, the 'socialist consensus' common to both the extreme Right and the socialist Left in the inter-war years left very little room for the liberal views that had been typical of the nineteenth century. It is not surprising, therefore, that in the 1940s and after liberals of all parties were pessimistic about the future of a liberal order – socialism seemed to be winning (Martino 1990).

A notable example of the widespread pessimism about the future of liberty after the war is offered by the foremost non-Marxist prophet of doom, Joseph A. Schumpeter, who in 1942 wrote:

Can capitalism survive? No. I do not think it can. ... [T]he actual and prospective performance of the capitalist system is such ... that its very success undermines the social institutions which protect it, and 'inevitably' creates conditions in which it will not be able to live and which strongly point to socialism as the heir apparent' (Schumpeter 1942/1950: 61).²

By socialism Schumpeter meant a society where 'the control over means of production and over production itself is vested with a central authority – or ... [where] the economic affairs of society belong to the public and not to the private sphere.' The pessimism has continued to flourish until recently. However, even though until recently pessimists have outnumbered optimists, opinions about the future of a liberal order have always differed widely.

Optimism

Then, at the beginning of the 1970s, things started to change. As Milton Friedman put it 25 years ago:

There are faint stirrings and hopeful signs. Even some of

2 And in 1949 he commented on the birth of the Mont Pelerin Society with a somewhat dismissive remark. After listing a series of socialist principles, which, as a result of the 'disintegration of capitalist society,' were being 'taken for granted by the business class ... and by the large number of economists who feel themselves to be opposed to (one hundred per cent) socialism,' he added: 'I believe that there is a mountain in Switzerland on which congresses of economists have been held which express disapproval of all or most of these things [e.g. socialist policies]. But these anathemata have not even provoked attack' (Schumpeter 1942/1950: 415-425).

the intellectuals who were most strongly drawn to the New Deal in the thirties are rethinking their positions, dabbling just a little with free-market principles. They're moving slowly and taking each step as though they were exploring a virgin continent. But it's not dangerous. Some of us have lived here quite comfortably all along (*Playboy* Interview, February 1973, reprinted in Friedman 1975a: 38).

At about the same time, David Friedman (1973: 129) was even more blunt than his father:

Socialism, as a coherent ideology, is dead and is not likely to be revived ... Yet many people ... call themselves socialists. 'Socialism' has become a word with positive connotation and no content.

By the end of the 1970s, thanks to the election of Margaret Thatcher in 1979, and of Ronald Reagan in 1980, and to the success of their liberal policies, pessimism gradually subsided and a new mood started to take hold. More and more people started to express dissatisfaction with the old socialist prescriptions and indicate a preference for market mechanisms. Socialists of the old school became fewer and fewer. As a result, liberals began to hope for the future of a liberal order.

A notable precursor of the change in intellectual climate, and a conspicuous exception to the prevailing climate of pessimism, was Arthur Seldon - co-founder of the Institute of Economic Affairs in London. In a letter to the *Times* on 6 August 1980, he went as far as to predict: 'China will go capitalist. Soviet Russia will not survive the century. Labour as we know it will never rule again. Socialism is an irrelevance.' At that time, this view was regarded as preposterous, an eccentric example of English witticism. Ten years later it seemed prophetic, if not obvious. Today, many people would consider it slightly too optimistic.

Socialism's evolution

But let's go back to the evolution of socialism. The original, and unifying, political platform of socialists 50 years ago included nationalisation, central planning, high and rapidly rising levels of public spending and taxation, highly progressive if not confiscatory income tax rates, exchange controls, wage and price controls, etc. By the end of the 1960s, many of these policy prescriptions had been abandoned, and a second kind of socialism became prevalent. Its political program was exemplified by that of the English Labour party (and to some extent also by that of the Tories!), and it consisted of a combination of Keynesianism, deficit spending, wage and price controls (incomes policy, as it was called in

England), the Phillips curve (the idea that you could reduce unemployment by increasing inflation), and so on.

The 'monetarist' revolution and the appalling results of the economic policies in the 1970s (especially in England, where they resulted in the 'British disease' (Brittan and Lilley 1977; Brittan 1978)) took care of discrediting most of the program of 'second generation socialists.'

The end of Keynes

The most important part of the change in socialist orthodoxy beginning in the 1970s was in the field of macroeconomic policy, and it had to do with the abandonment of Keynesianism (Martino 1989, 1998). In a Keynesian world, price stability was not necessarily desirable. Most Keynesians were convinced that inflation was the unavoidable price of economic growth, that there was a stable trade-off between inflation and unemployment (Tobin and Ross 1971; Tobin 1972), that it was possible to reduce interest rates through monetary expansion, and that the time horizon for monetary policy decisions had to be dictated by the needs of short term stabilisation policies. All of these views have succumbed to the empirical evidence and the theoretical analyses of the last thirty years.

There is no evidence that economic growth inevitably involves price inflation. On the contrary, there are good reasons to believe that monetary instability hinders long term projects and makes economic growth more difficult, as evidenced by the experience of a number of Latin American countries.

The idea of a stable trade-off between inflation and unemployment is thoroughly discredited; an unexpected acceleration of inflation may temporarily reduce unemployment below its 'natural rate,' but this effect is short-lived. Only an accelerating inflation could keep unemployment below its 'natural rate,' but even that unappetising possibility is dubious (Friedman 1968, 1975b; Tullock 1972; Bordo and Schwartz 1983).

Manipulation of monetary aggregates can influence interest rates only temporarily: as soon as inflationary expectations catch up with reality, the Keynesian 'liquidity effect' is replaced by the 'Fisher effect,' which will more than offset the initial impact of the unexpected change in monetary policy (Thornton 1988: 53). Nominal interest rates tend to be higher, not lower, when monetary policy is loose.

As for stabilisation policies, it is now largely (though certainly not unanimously) agreed that our insufficient knowledge, unreliable short-run macroeconomic forecasts, and variable time lags in the impact of

monetary policy decisions, make it likely that policies aimed at stabilising the short run may end up being pro-cyclical rather than anti-cyclical (Friedman 1951, 1969; Haberler 1974; Romer 1986). Attempts at 'fine-tuning' the economy often result in additional, avoidable instability.

Finally, budget deficits were regarded as the ultimate propellant of economic growth when, under the influence of the 'Keynesian revolution,' most economists believed that high employment and stability could be achieved through appropriate manipulations of the budget. In recent times, however, we have witnessed a reversal in the profession's conventional wisdom. Deficits are now being blamed for a lot of different economic problems: inflation, unemployment, slow growth, the stock market crash, high interest rates, balance of payments difficulties, instability of exchange rates and a variety of other troubles. While some of these criticisms are dubious or definitely unfounded (see Chrystal and Thornton 1988), it is increasingly recognised that, whereas deficit-financed increases in public spending change the structure of total spending, by transferring funds from the private to the public sector, their long run impact on the level of aggregate demand may very well be negligible in most cases.

The 'rediscovery' of the importance of financial prudence and the end of the deficit spending strategy have had a very important impact on the growth of public spending, because budget deficits make government growth easier. The possibility of running a deficit allows politicians to hide the cost of government from those who bear it. It is harder to increase the size of government when spending must be financed with an increase in explicit taxation. Another component of the political platform of second generation socialists has been abandoned. The birth of today's socialism - socialism of the third generation - can be traced to the failure of Keynesianism.

The market comes to the rescue of the market

The evolution of socialism and the wave of optimism about the future of liberalism was also fueled by dramatic changes in the historical arrangements of the world. Established powers were wiped out, the 'evil empire' collapsed, dictators nearly disappeared from Earth, and - as a consequence? - the intellectual climate changed drastically.

One of the main factors in the historical changes which have marked the 1980s and the beginning of the 1990s was the liberalisation of the international movement of goods, services, and capital, which resulted in a 'filter mechanism,' in Nozick's jargon (Nozick 1974), 'filtering out' undesirable arrangements: governments that mismanaged their

countries were penalised by the outflow of capital. The importance of capital movements in forcing governments to adopt wise policies cannot be overemphasised. High inflation countries, high deficit countries, countries with unreliable legal frameworks, or excessively punitive to private productive investments were forced by capital movements to mend their ways. The market, i.e. the greater degree of international openness, has promoted pro-market, liberal policies and, by so doing, it has contributed to undermining the socialist consensus.

However,

the view that governments today stand helpless before the gale of market forces is a gross exaggeration, as evidenced by the best and simplest measure of a government's involvement in the economy ... public spending. In rich industrial countries, this has followed a persistently upward trend since the latter part of the 19th century (*The Economist*, 6 December 1997: 27).

In any case, there can be such a thing as excessive optimism. At the beginning of the 1990s, many people thought that we had come to a radical change of the political paradigm, so that the principles of a free society were going to rule unchallenged everywhere, and 'socialism' as we knew it had come to an end.

The past few months have shattered the pattern of the previous 45 years. Most importantly, the failed god of the command economy has been finally laid to rest. Eastern Europe had already been freed from this superstition by the removal of the occupying army that had imposed it. The liberation of the Russians and the other peoples of the ex-Soviet Union can now seriously begin. And many other countries have started to remove their intellectual army of occupation, the widespread belief that Marx was right at least about economics (*The Economist*, 28 September 1991).

Statements like this were not uncommon at the beginning of the '90s. The events of the '80s had indeed convinced many observers that the struggle was over: capitalism had won.

Pessimism again

We soon learned better: in the past 2-4 years we have witnessed a revival of 'socialism,' especially in Europe. Of the 15 member countries of the European Union, 13 have governments that can be called 'socialist' - the latest being Germany, where Helmut Kohl was ousted as I was writing

this paper. Furthermore, Japan and the 'Asian tigers' are undergoing a serious crisis, which some people blame on capitalism, and the Russian Federation has seen the return of a communist-controlled government. The original optimism is now ridiculed, and a new pessimistic trend is under way.

A notable example of this pessimistic mood was recently provided by Rupert Murdoch in an article in *National Review* (1997: 38-40), in which he compared some statements made at the beginning of the 1990s with a similar one made by a Cambridge historian (J.B. Bury) in 1913: 'The struggle of reason against authority has ended in what appears to be a decisive and permanent victory for liberty.' We all know what happened after 1913. Couldn't it be that the sensational changes of the 1980s, which had prompted some to predict the 'End of History,' the final triumph of liberty over socialism, were just a transient interruption in the erosion of our liberties?³

A temporary lapse in an otherwise inexorable process?

In other words, have we mistaken a temporary lapse in the historical process toward socialism for a radical change of direction? Are contemporary events confirming Schumpeter's warning?

The transformation of social orders into one another is an incessant process but, in itself, a very slow one. To an observer who studies a moderate span of 'quiet' time, it may well seem as if the social framework he beholds did not change at all. Moreover, the process often suffers setbacks which, considered by themselves, may suggest to him the presence of an opposite tendency (Schumpeter 1942/1950: 419).

I don't think this is our case. From the point of view of the ideological confrontation, I am convinced that we live in one of the happiest times in the contemporary history of mankind. It seems to me that never before has the case for freedom been more thoroughly analysed and better understood.

I realise that this is a strong statement. There is an inevitable dis-

3 Of course, there are innumerable counter-examples to Murdoch's quote. Marxists have been forecasting the imminent demise of capitalism for a century and a half. Even a widely respected economist like John Maynard Keynes was not immune from gloomy prophecies about the future of capitalism: 'We are today in the middle of the greatest economic catastrophe of the modern world ... the view is held in Moscow that this is the last, the culminating crisis of capitalism and that the existing order of society will not survive it' (1931, as quoted in 'On the edge,' *The Economist*, 5 September 1998: 17).

tortion on our perspectives produced by chronological selection. Few people who are great thinkers in the eyes of their contemporaries stand the test of time and are still considered great by future generations. As a result, we are often led to believe that there are more great scholars among our contemporaries than there were in the past. However, even if we allow for this distortion, it still seems true to me that a very large number of the great liberal thinkers of all times belong to this century. Furthermore, even though ideas always have parents, in the sense that their origin can be traced back to past achievements, the case for freedom as presented by today's thinkers is more consistently argued and better supported than ever before. Finally, more people are aware of the importance of freedom today than at any other time in the past 50 years. Of course, this is true only in the realm of ideas. The same does not necessarily hold as far as actual policies are concerned.

Socialism's new mask

The renewed popularity of socialist parties in recent months owes much to the crisis in financial markets, which many people have blamed on 'excessive' market freedom.

... the biggest risk now to the world economy may lie not so much in a deep depression, which could be averted. It is that there may be a wholesale retreat from free markets. Any such retreat would damage longer-term growth prospects ... for decades to come (*The Economist*, 5 September 1998: 19).⁴

According to Hayek (1944), 'socialism is a species of collectivism,' its essential feature being 'a central direction of all economic activity according to a single plan, laying down how the resources of society should be 'consciously directed' to serve particular ends in a definite way' (p. 26). This he contrasts with the

liberal argument based on the conviction that where effective competition can be created, it is a better way of guiding individual efforts than any other. ... Economic lib-

4 A good example of the negative impact of the recent financial crisis on the prospects of liberalism is given by the diminished popularity of the privatisation of public pension schemes. It is argued that the volatility of stock prices makes private pension schemes too risky, and that existing pay-as-you-go government plans should be preserved rather than replaced by private arrangements. This argument is clearly flawed: 'The average annual real return on stocks has been 7 per cent since 1926 - i.e., over a period that includes the Great Depression, not just a measly market correction. There is no twenty-year period in American history in which stocks have fallen' (*National Review*, 28 September 1998: 9).

eralism ... regards competition as superior ... because it is the only method by which our activities can be adjusted to each other without coercive or arbitrary intervention of authority' (27).

It must be noted that Hayek regards the competitive order as superior to central planning not only because it is more efficient in the production of goods and services, and in the promotion of the general welfare, but especially because it is compatible with individual liberty and the absence of coercion. This is an especially important argument because, while most people, even on the left, today are willing to concede that a market economy is more efficient than a centrally planned one, many of them miss the main point: that a market order allows greater scope to individual liberty than any alternative arrangement.

While defining today's socialism is nearly impossible, there are certain policy prescriptions which are common to many if not most socialist parties. Their common denominator is given by the fact that contemporary socialists have come to tolerate the market system because of its superior efficiency, but they do not accept the implications of an order based on individual liberty. Their position, in other words, is based on a distrust of the spontaneous order, on a bias against a society arranged as much as possible on individual choices. Let's look at a few examples.

Regulation

The first is the great reliance on a huge and ever-increasing body of regulation. Regulation is for today's socialists what public ownership of the means of production and central planning were for them half a century ago. As pointed out by Murdoch:

No one talks about nationalising industries any more. But then no one has to nationalise industries - because the extraordinary growth of regulation has given effective control of them to the government without its having to assume the hassle of ownership. Socialism has effectively reinvented itself. We can call it 'Neosocialism.' And it's right here (Murdoch 1997).

Regulation is one of the areas which identify today's socialism: while all socialists and most liberals agree that some amount of regulation may be necessary, the difference between the two is given by the socialists' high propensity to give government the power to control the economy through regulation. In this, as in other areas (like taxation, environmental protection, public spending, etc.), the difference between

socialists and liberals is quantitative. A liberal can claim with Paracelsus that 'All things are poison and none without poison. Only the dose determines that a thing is no poison' (*Dosis sola facit venenum*).

A good example is given by labor market regulation, especially in Europe. What many European countries have in common is that their governments engage in job-destroying interferences in labor markets to an extent that is unknown in the US. For example, legislation aimed at the lofty ideal of protecting the 'weaker party' in labor contracts, has made it extremely costly to fire a worker. Since hiring decisions are made under uncertainty, the fact that employers are not allowed to make mistakes has made them very cautious in hiring, reluctant to take risks. This has produced two unintentional results: on the one hand total employment, though possibly more stable than it would otherwise have been, is also smaller. On the other hand, unemployment tends to last longer: for example, nearly half of the unemployed in Europe stay in that condition for more than 12 months, compared with only 11% in the US. The percentage is 70% in Italy - a record among industrialised countries.

Legislation 'protecting' female workers has made hiring women more expensive than hiring men - as a result, not surprisingly, the female unemployment rate is almost twice as high as its male counterpart. In Italy, the noble desire to treat all citizens equally has inspired legislation which imposes the same treatment, in terms of wage rates and other benefits, in the South as in the North. This was supposed to 'protect' Southern workers from the humiliation of receiving a lower salary than their Northern colleagues. Obviously, as could have easily been predicted, unemployment in the poorer regions of the South is much higher than in the North. If one could legislate prosperity, poverty would have ended centuries ago - poorer regions do not become prosperous at the whim of legislators. A wage rate that is appropriate for a wealthy area is prohibitive for a poor one. And it is hard to believe that unemployed Southerners feel relieved by the knowledge that if they had a job it would be as remunerative as it is in the North.

Another main cause of unemployment is the tax on jobs, the so called 'wedge' - the difference between labor costs and take-home pay. Since the tax falls on all kinds of employment, its job-destroying consequences are felt at the macro-level: total employment is smaller than otherwise (de Jasay 1998). (Of course this is true only in the 'official' economy, not in the 'underground' or 'informal' economy, where the tax on jobs is evaded.) The 'wedge' in Italy exceeds 50% of the labor cost: for every \$1,000 given to the worker, the employer pays a tax that's

greater than \$1,000. Not surprisingly, this results in fewer jobs. The propensity of socialists of all parties to regulate labor markets, often with disastrous results, is exemplified by the French and Italian Left's proposal to legislate a 35 hour week. The stated aim of the proposal is that of increasing employment; its actual consequence is likely to be an increase in unemployment.

Most socialists in Europe are still fearful of the impact of technical change and increased productivity on employment, which brings to mind a story that a western businessman told me a few years ago. He had recently been touring China, where he came upon a team of nearly a hundred workers building an earthen dam with shovels. The businessman lamented that with an earth-moving machine, a single worker could create the dam in an afternoon. The curious response from the local official was, 'Yes, but think of all the unemployment that would create.' 'Oh,' said the businessman, 'I thought you were building a dam. If it's jobs you want to create, then take away their shovels and give them spoons!' (Jordan 1996).

Tax harmonisation in Europe

Regulation is also very fashionable in the European Union. It is here that socialists of all parties and of all countries have found an effective way to increase centralised control over our lives. For example, under the innocent label of 'tax harmonisation,' the EU is in the process of introducing a tax cartel, which would severely limit capital movements within the Union and prevent tax competition.

One of the arguments favored by proponents of tax harmonisation in Europe runs as follows: since capital is more mobile than labor, it is harder to tax it. As a result, taxation on labor is growing more rapidly than on capital. To remedy this distortion, EU countries must agree on a common tax policy on capital. This seemingly plausible thesis is full of fallacies. First, its supporters seem convinced that if EU governments could increase taxation on capital, they would reduce taxation on labor. The possibility that increased taxation on capital would result in an overall increase in taxation is not even considered. Yet, it should be obvious that total spending is not fixed – its total size depends on the size of government revenue, and it is possible, indeed probable, that if revenue is enlarged because of tax harmonisation this will result in an increase in spending rather than in a reduction in other forms of taxation.

The second fallacy is even worse: the argument assumes that there is such a thing as the 'right' tax policy, independent from the distinctive

characteristics of the country. It further assumes that this 'right' policy can easily be known to tax 'experts' and that, if adopted, it will suit all European countries well. This is nonsense. Each EU country has different peculiarities, and a tax policy that is appropriate for a given EU country is totally inappropriate for another possessing different traits. Why should, say, a country with a low capital/labor ratio be prevented from trying to remedy its handicap by enticing the inflow of foreign capital with a friendly tax policy? Why should the same tax policy apply to countries that have very different endowments of productive factors?

Furthermore, capital mobility is not restricted to the EU area. Should EU countries agree to a common tax policy, the outcome is likely to be an outflow of capital toward non-EU countries practising a less oppressive form of taxation. But the main fallacy is the rejection of fiscal competition among EU countries, which is by far the most effective way on the one hand to contain excessive taxation, while on the other allowing for the kind of continuous 'trial and error' method aimed at correcting the limitations of existing tax arrangements. This is to some extent the method used in countries like Switzerland and the US, which for centuries have had a federal government. Why shouldn't Europe, which does not even have a federal government, follow a different course?

Examples of absurd EU regulations could fill several volumes. They include, among other things, the definition of a sausage, the specification of the size of bananas, rules governing the export of duck eggs, and the like. In some instances these result in embarrassment, as in the case of the Italian Minister of Health who, in enforcing an EU directive, indicated as an optimal size for condoms one slightly bigger than the European standard. Which, understandably, prompted many people to ask on the basis of what kind of evidence the Minister thought Italians needed some extra leeway?

Environmentalism, etc.

Another area where neosocialists and liberals differ is environmentalism.⁵ As in the case of regulation, they both agree that some amount of

5 George Orwell's view is as relevant today as it was in 1937: 'One sometimes gets the impression that the mere words 'Socialism' and 'Communism' draw towards them with magnetic force every fruit-juice drinker, nudist, sandal-wearer, sex-maniac, Quaker, 'Nature Cure' quack, pacifist, and feminist in England' (Orwell 1937, as quoted in *Contentions*, April 1990: 1). The words 'Socialism' and 'Communism' may be on their way out, but the people mentioned by Orwell continue to stick together, usually on the left of the political spectrum.

environmental protection is necessary. The difference between the two is in the amount of environmental protection deemed desirable and in the ways to achieve it – socialists rely on governmental coercion, liberals on market mechanisms. The threat of socialist environmentalism is subtle and deadly; its plausibility makes it acceptable even to reasonable believers in freedom; its appeal to the uninformed is enormous; the half-baked scientific assertions used to justify all kinds of government intervention for the sake of the environment require extensive information on the part of those who wish to criticise them.

The problem is made worse by the widespread practice of environmentalists trying 'to influence both public and governments by the deliberate suppression of anything that might suggest that the bases of their proposals are less than certain.' (Finch 1990: 25). Though Finch refers to a different problem, the deliberate simplification of complex scientific issues in order to scare the public and prompt government into action is one of environmentalists' favorite tactics. In other words, 'Greens and other activists treat environmental issues as though they are certain events, ignoring the scientific evidence that casts doubt even on the existence of these problems' (Stroup 1990: 57-63). According to Stroup, this attitude 'is true of the scientific literature on the greenhouse effect ..., stratospheric ozone ..., and acid precipitation ..., and the epidemiological evidence on the large and well-known ... hazardous waste sites such as Love Canal ...'. Potentially, environmentalism poses a risk for the future of liberty as serious as that posed by wholesale socialism in the past.⁶

Under the same heading as the environment, I should add another unusual threat which comes from the enormous variety of 'small' restrictions to our personal freedoms that are continuously being introduced in the name of safety, health, and other lofty ideals. Each one of them, taken by itself, seems trivial. Taken together, they amount to a wholesale attack on our independence. The purpose of the Law has been distorted, so that now the State, instead 'of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it' (Smith 1776/1937: 651), tries to protect individuals *from themselves*, destroying the very concept of personal responsibility in the process.⁷

6 In my view 'reasonable' environmentalism is far more dangerous than 'ecoterrorism'. The latter, however, performs the crucial function of making the former look acceptable. On ecoterrorism, see 'Ecoterrorism: The dangerous fringe of the environmental movement,' *Backgrounder* No. 764, The Heritage Foundation, 12 April 1990.

7 What is frightening is that this kind of tyranny is often enforced by the public even

The welfare state - 'public' health care in particular - has gradually instilled the notion that we do not own our health. The results of this view are schizophrenic. On the one hand, the increase in life expectancy becomes the cause of national anxiety, since an aging population imposes costs 'on society.' A good example was given by a recent *Washington Post* article explaining that:

smokers 'save' the Social Security system hundreds of billions of dollars. Certainly this does not mean that decreased smoking would not be socially beneficial. In fact, it is probably one of the most cost-effective ways of increasing average longevity. It does indicate, however, that if people alter their behavior in a manner which extends life expectancy, then this must be recognized by our national retirement program.

Or, in the words of a health economist: 'Prevention of disease is obviously something we should strive for. But it's not going to be cheap. We will have to pay for those who survive' (both quotes from King 1990).

On the other hand, the most common line of argument is the opposite: since 'the government' pays for our medical care, we are not free to live our lives in a manner that is deemed unhealthy by the authorities. The standard argument about the paraphernalia of restrictions on activities considered unhealthy is that people who engage in them are more likely to get sick and 'impose a cost on society.' As a result, what is deemed dangerous or unhealthy is banned, what is considered healthy or otherwise beneficial is made compulsory: speed limits, compulsory helmets for motorcyclists, compulsory seat belts, restrictions on the sale of pornographic material, on the consumption of drugs,

(cont) before it becomes the object of government policy. As pointed out by the *Economist*, the phenomenon is particularly acute in America, where there is an odd combination of ducking responsibility and telling everyone else what to do. ... A conformist tyranny of the majority, an intolerance of any eccentricity, is creeping into America, the west coast in particular. ... As Americans get even richer, they seem to grow more risk-averse, so that they become paranoid about hazardous waste in their district, obsessed with their cholesterol levels, and ready to spend large premiums for organic vegetables. It being a free world, they are welcome to do so, even if the risks from hazardous waste are exaggerated, or the risks from natural carcinogens in organic vegetables greater than from pesticides. But must they become killjoys in the process? Being bossed by faddish doctors is something people have come to expect. But neighbours and friends (and advertisers) have no need to be ruthlessly disapproving of the fellow who prefers cream and an early coronary to self-absorption in a costly gym building muscles he will never need ('America's decadent puritans,' The *Economist*, 28 July 1990: 11-12).

alcohol, tobacco, and so on.⁸ We are heading toward a society where dangerous sports will not be permitted, pedestrians will be required to have a licence, obesity will be illegal and what we are allowed to eat will be determined by the National Dieting Board! At this point, the patriotic citizen does not know what to do: if he lives dangerously, he imperils the financial future of the public health system, whereas if he decides to live a long, healthy life, it's Social Security that's in trouble.

The war on smoking has been carried a bit too far:

in Colorado, on the eve of being executed for rape and murder, Mr. Gary Lee Davis made his last request: a smoke. Is that too much to ask? It is in Colorado, where death row is a smoke-free facility. Request denied (*National Review*, 10 November 1997).

Examples of the pretence to regulate our lives could fill several volumes. Their absurdity should not make us forget the danger they pose to our liberty. Whatever it is that we intend to do, we should be well advised to follow Lawrence Peter's advice: '... do it now! There may be a law against it tomorrow.'

Conclusion

These are no longer times of ideological confrontation; the differences between liberals and socialists today are smaller than in the past. This is because 'socialism' is an empty shell - the label continues to be used, but its content has been lost, possibly forever. However, while socialism is dead, statism is not. We have freed ourselves from the danger of wholesale socialism, but we are still facing the continuous erosion of our liberties in a piecemeal fashion.

This is a mixed blessing. On the one hand, once the socialists abandoned the holistic model of a centrally planned society, rational discussion became possible. Socialists, in other words, have abandoned what Karl Popper called 'holistic' or 'utopian' social engineering and have adopted a more piecemeal approach to social problems. The focus of political debate has shifted from the general architecture of society to the desirability of specific policy proposals. The characteristic approach of the piecemeal engineer is this: even though he may perhaps cherish some ideals which concern society

as a whole ... he does not believe in the method of

8 We have forgotten Ludwig von Mises' wisdom: 'everyone should abstain by his own impulse from enjoyments harmful to his organism' (von Mises 1932/1979: 207fn.). As for us smokers, we should support Lord Harris's F.O.R.E.S.T. (Freedom Organization for the Right to Enjoy Smoking Tobacco).

redesigning it as a whole. Whatever his ends, he tries to achieve them by small adjustments and re-adjustments which can be continually improved upon. ... Holistic or Utopian social engineering, as opposed to piecemeal social engineering, is never of a 'private' but always of a 'public' character. It aims at remodeling the 'whole of society' in accordance with a definite plan or blueprint; ... and at extending the power of the State ... until the State becomes nearly identical with society (Popper 19574:66-67).

This in and of itself is an epochal change, making ideological confrontation more amenable to rational discourse. On the other hand, the piecemeal aggression to our liberties is subtler and harder to combat. Many of the new socialists' proposals may appear sensible, and careful scrutiny is required to show their negative consequences. However, let us not forget that, as Popper has taught us:

we shall always have to live in an imperfect society. This is so not only because even very good people are very imperfect; nor is it because, obviously, we often make mistakes because we do not know enough. Even more important than either of these reasons is the fact that there always exist irresolvable clashes of values ... There can be no human society without conflict: such a society would be a society not of friends but of ants (Popper 1974: 116).

What this means is that there is no such thing as *victory* (or defeat for that matter), a state of affairs which, once attained, will forever be maintained. The struggle for freedom is a 'natural,' inescapable component of life. We can successfully meet the challenges of our time and score a temporary 'victory,' but new problems will soon come up, as new ways of hindering our personal liberties are discovered or old ones are resurrected.⁹

References

- Bordo, Michael D. and Anna J. Schwartz 1983, 'The Importance of Stable Money: Theory and Evidence,' *Cato Journal* 3(1): 63-82.
- Brittan, Samuel 1978, 'How British is the British Disease?', *The Journal of Law & Economics* XXI (2), October: 245-268.

⁹ On the other hand, there is no permanent victory for the other side either. That's why I don't agree with Murdoch when he says that 'capitalism has not triumphed. Neosocialism is triumphing.'

- Brittan, Samuel and Peter Lilley 1977, *The Delusion of Incomes Policy*, Temple Smith, London.
- Chrystal, K. Alec and Daniel L. Thornton 1988, 'The Macroeconomic Effects of Deficit Spending: A Review,' *Federal Reserve Bank of St. Louis Review* 70(6).
- Finch, Peter D. 1990, 'The Lalonde Doctrine in Action: The Campaign Against Passive Smoking,' *Policy* 6(2): 22-25.
- Friedman, David 1973, *The Machinery of Freedom: Guide to a Radical Capitalism*, Harper Colophon Books.
- Friedman, Milton 1951, 'Commodity-Reserve Currency,' *Journal of Political Economy* LIX, June: 203-32.
- Friedman, Milton 1968, 'The Role of Monetary Policy,' *American Economic Review* 58(1): 1-17.
- Friedman, Milton 1969, 'The Optimum Quantity of Money,' in *The Optimum Quantity of Money and Other Essays*, Aldine, Chicago.
- Friedman, Milton 1975a, *There's No Such Thing as a Free Lunch*, Open Court, LaSalle, Illinois.
- Friedman, Milton 1975b, *Unemployment versus Inflation? An Evaluation of the Phillips Curve*, Institute of Economic Affairs, London.
- Haberler, Gottfried 1974, *Economic Growth & Stability: An Analysis of Economic Change and Policies*, Nash Publishing, Los Angeles.
- Hayek, F.A. 1944/1962, *The Road to Serfdom*, Routledge & Kegan Paul, London.
- Hayek, F.A. 1967, *Studies in Philosophy, Politics, and Economics*, Simon and Schuster, New York.
- de Jasay, Anthony 1998, 'How to Stifle Employment by "Social Protection",' *The Wall Street Journal Europe*, 20-21 March.
- Jordan, Jerry 1996, 'Jobs Creation and Government Policy,' unpublished paper, 30 November.
- King, Florence 1990, 'I'd Rather Smoke Than Kiss,' *National Review*, 9 July.
- Martino, Antonio 1989, 'Budget Deficits and Constitutional Constraints,' *Cato Journal* 8(3): 695-711.
- Martino, Antonio 1990, 'Are We Winning?,' CIS Occasional Paper 29, St Leonards.

- Martino, Antonio 1996, 'Ideas and the Future of Liberty,' in Hardy Boullion (ed.), *Libertarians and Liberalism: Essays in Honour of Gerard Radnitzky*, Avebury Series in Philosophy, Avebury.
- Martino, Antonio 1998, 'Monetary and Fiscal Rules: Past successes and future prospects,' *Policy* 14(1): 3-9.
- von Mises, Ludwig 1932/1979, *Socialism*, Liberty Classics, Indianapolis.
- Murdoch, Rupert 1997, 'Reinventing Socialism,' *National Review*, 1 September: 38-40.
- Nozick, Robert 1974, *Anarchy, State, and Utopia*, Basic Books, New York.
- Popper, Karl R. 1957, *The Poverty of Historicism*, Routledge & Kegan Paul, London.
- Popper, Karl R. 1974, *Unended Quest*, Open Court, La Salle, Illinois.
- Romer, Christina D. 1986, 'Is the Stabilization of the Postwar Economy a Figment of the Data?', *American Economic Review* 76.
- Schumpeter, Joseph A. 1942/1950, *Capitalism, Socialism and Democracy*, third edition, Harper & Row, New York.
- Schumpeter, Joseph A. 1954, *History of Economic Analysis*, New York.
- Smith, Adam 1776/1937, *The Wealth of Nations*, Modern Library, New York.
- Stroup, Richard L. 1990, 'The Green Movement: Its Origin, Goals and Relevance for a Liberal Society,' *Policy* 6(2): 57-63.
- Thomas, Ivor 1949, *The Socialist Tragedy*, Latimer House, London.
- Thornton, Daniel L. 1988, 'The Effects of Monetary Policy on Short-Term Interest Rates,' *Federal Reserve Bank of St. Louis Review* May - June: 53.
- Tobin, James and L. Ross 1971, 'Living with Inflation,' *New York Review of Books*, May.
- Tobin, James 1972, 'Inflation and Unemployment,' *American Economic Review* 62, March.
- Toland, John 1976, *Adolf Hitler*, Doubleday, New York.
- Tullock, Gordon 1972, 'Can You Fool All of the People All of the Time?', *Journal of Money, Credit and Banking* 4, May: 426-30.

Vote of Thanks

Steven Skala

Board Member

The Centre for Independent Studies

Distinguished Guests, Ladies and Gentlemen.

Professor Martino's discussion of priorities earlier today reminded me that my speech stands between you and bitter-sweet chocolate souffle cake with mango ice-cream. As I understand priorities, I will be as brief as possible.

It is my great pleasure to give a vote of thanks to Professor Martino on behalf of all of us.

For me the existence of signs and the way we react to them was first brought forcefully into being in Monty Python's *The Life of Brian*. The religious leader Brian lost his left shoe. The outcry from his followers was immediate: 'It's a sign, it's a sign!' they said. The fierce debate which ensued saw his followers split into two camps. One camp, out of sympathy with their leader, cast off their left shoe. The other camp, who violently disagreed with that interpretation, decided to revere the lost left shoe of their leader.

The kinds of signs which Professor Martino has drawn to our attention give us pause for deep consideration. Regulations designed, directly or indirectly, to give government the power to seek to control the economy; environmentalism, which Professor Martino sees as a serious risk for the future of liberty; and in a European context, the anti-competitive nature of tax harmonisation proposals. All of these, Professor Martino sees as signs that we have to comprehend.

This evening Professor Martino has eloquently cautioned us to look out for signs. He says, and I think rightly, that certain signs indicate a tendency to limit our individual liberty, to limit our legitimate moral expectation. Certain signs point in the direction of shaping social and economic order by planning and by legislative fiat, rather than by operation of the spontaneous choices of the market.

There are many more signs. Oskar Lafontaine, the new German Finance Minister, has recently signaled initiatives between the governments of Germany, France and Britain to stabilise international financial markets. At their centre, what is proposed are more favourable exchange

rates and a better international coordination of economic and financial policies. President Clinton and Prime Minister Blair embrace market economies but don't much like the unequal societies they produce. The former US Secretary of Labour, Robert Reich, argues that as the gap between winners and losers widens, a third way is required, based upon a new social contract between winners and losers. Even our own Reserve Bank Governor last week spoke of 'an emerging markets crisis or a general world financial crisis,' and came very close to recommending short-term multilateral restrictions on capital flows.

What is the dimension of these signs? Is there an emerging global political consensus in favour of planning, regulating and imposing outcomes? If so, can we comprehend the effect on individual liberty and the spontaneous order? Or do these signs merely signal that a new framework for the operation of the international order is being conjured? If so, what will be the role of markets and individual choice in that new framework? This needs reasoned debate. Whatever the outcome in the future, now it is clear there are signs.

I would sincerely like to thank Professor Martino for reminding us so well that we need to look at the signs. Having found them, the real debate starts about what those signs mean and what values we use to determine our responses. In short, Professor Martino is reminding us that the price of our freedom is eternal vigilance, vigilance in seeking out the signs and then understanding what they mean.

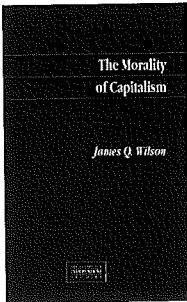
Can you please join me in thanking Professor Martino for his exemplary contribution to our evening.

THE JOHN BONYTHON LECTURE

The John Bonython Lecture is the major public event of the Centre for Independent Studies. Named for John Bonython (1905-92), the first Chairman of the Centre's Board of Advisory Trustees, the inaugural lecture was delivered in Adelaide by Professor Israel Kirzner of New York University in July 1984. Since then it has grown to become the major public intellectual event of its type in Australia.

Previous lecturers include:

1998	–	Antonio Martino
1997	–	James Q. Wilson
1996	–	Ray Ball
1995	–	Brigitte Berger
1994	–	Rupert Murdoch
1993	–	Mario Vargas Llosa
1992	–	Kenneth Minogue
1991	–	Václav Klaus
1990	–	James M. Buchanan
1989	–	Peter Bauer
1988	–	Thomas Sowell
1987	–	Shirley Robin Letwin
1986	–	Ralph Harris
1985	–	Max Hartwell
1984	–	Israel Kirzner

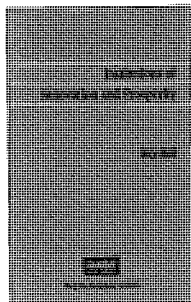


The Morality of Capitalism

Capitalism is winning the economic battle all over the world. The collapse of socialism has left it without serious challenge as a wealth-creating system. But moral criticism of capitalism continues.

James Q. Wilson believes that the moral concerns about capitalism are unfounded. He argues that capitalism depends upon important moral values for its success, and in its turn helps to reinforce those values.

[OP 62] ISBN 1 86432 030 3 (1997) 28pp.
A\$5.95 NZ\$9.95



Institutions of Innovation and Prosperity

Professor Ray Ball highlights the importance of institutions to Australia's social and economic well-being. He believes prosperity requires institutional structures capable of adapting to change. Free markets are significant institutions of innovation, challenging corporations, managers, employees suppliers, investors and lenders alike to make the changes essential for success.

[OP 58] ISBN 1 86432 023 0 (1996) 36pp.
A\$5.95 NZ\$9.95



The Centre for Independent Studies, Australasia's leading private policy research organisation, is financed by voluntary subscriptions and donations from individuals, foundations and companies.

You may assist the Centre in achieving its aims by becoming involved in its wide range of activities.

For more information please photocopy and complete the form on this page.

Alternatively you can visit our World Wide Web site at <http://www.cis.org.au>

PLEASE SEND ME MORE INFORMATION ON THE CIS:

Name:.....

Position:.....

Company:.....

Address:.....

.....Postcode:.....

Phone:.....

Send this coupon to:

THE CENTRE FOR INDEPENDENT STUDIES

PO Box 92 St LEONARDS 1590 AUSTRALIA

or Phone: (02) 9438 4377 • Fax: (02) 9439 7310

The Modern Mask of Socialism

Antonio Martino

After the fall of the Berlin Wall and the end of the Cold War, many people assumed that socialism was dead and that liberal democratic capitalism was to be the unchallenged way of the future. Now, however, the world financial system is in turmoil, socialist governments are in power across most of Europe, and the philosophy of the free market seems to be constantly under attack. What has happened?

Antonio Martino argues that socialism in the old sense is indeed dead. Liberalism is now understood and accepted better than ever before. But he believes that the socialist challenge has taken on new forms, such as the push for uniform regulations on tax matters, the environment, public health, and so on. He warns that there is no such thing as permanent victory or defeat, and that new challenges will always arise. While he cautions against excessive optimism, Professor Martino maintains that 'From the point of view of the ideological confrontation, ... we live in one of the happiest times in the contemporary history of mankind.'

ANTONIO MARTINO is Professor of Economics and Chairman of the Department of Political Science at the Free International University (LUISS Guido Carli) in Rome, currently on parliamentary leave. He was elected to the Italian Parliament in 1994 and was Minister of Foreign Affairs in 1994-95. He was one of the founding members of *Forza Italia*, currently Italy's largest opposition party. He has been active in a number of international organisations, and was President of the Mont Pelerin Society from 1988-1990. Professor Martino has written 11 books and more than 150 papers on economic theory and economic policy. His most recent books are *Economica e libertà* ('Economics and Liberty') and *Stato padrone* ('Government, Our Boss'). The Centre for Independent Studies published his Occasional Paper *Are We Winning?* in 1990.



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 forces that make up a free society. The lectures are published as part of the CIS Occasional Papers series.

ISBN 1-86432-037-0



9 781864 320374

ISBN 1 86432 037 0

ISSN 0155 7386

THE CENTRE FOR
INDEPENDENT
STUDIES

CIS Occasional Papers 66

A\$5.95

NZ\$9.95