

CAPITALISM

WITH A

HUMAN

FACE



SAMUEL BRITTAN

# Capitalism with a Human Face

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Samuel Brittan

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# Capitalism with a Human Face

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SAMUEL BRITTAN

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# Introduction: footfalls in the memory

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## THE CONTENTS OF THIS BOOK

Those who have always disliked capitalism have found it expedient since the fall of the Soviet Union to talk about forms of capitalism alternative to the western individualist variety. They will find, however, that the individualist ethic is not merely defended but celebrated in this collection of essays, as a humane approach which allows plenty of scope for altruism and fraternity. Indeed individualist liberalism comes first. The market comes second as an instrument of human co-operation; and capitalism third, as the only known working embodiment of the market system.

I shall be told that one of the main features of the post-communist world is the spread of attitudes such as religious fundamentalism and extreme nationalism. Even adherents of these creeds have, however, to acknowledge the mundane problems of inflation, unemployment and the distribution of income and wealth, which are also discussed in these pages.

This book originates with a suggestion that some of my extended articles of recent years should be collected in a single volume. I gladly accepted. The painter J.M.W. Turner is said to have asked what was the use of his pictures except when seen together; and I feel the same way about my own lesser works in another medium.

I soon realized that I could not just throw at people a miscellaneous collection of essays written for different occasions; and I have taken trouble to make it reader-friendly and to ensure some continuity between the chapters. There has been some updating and rewriting, without I hope losing the flavour of the original time and occasion. Complete updating is of course a chimera, like the proverbial painting of the Forth Bridge: by the time I had updated the final chapter it would be time to start again on the first.

The book begins, as my publisher requested, with a short account, following this Introduction, of how I came upon my ideas and to what extent they have changed. The order of presentation of the main chapters is by subject matter rather than order of composition. The movement is from the general to the particular; but the reader will find his way around the volume according to his own inclinations.

The first chapter is one of the most recent and is an account of how I see the relation between economics and ethics, prepared as the presidential address for

Section F of the British Association at the BA's annual meeting in Keele in 1993. It is one example of lectures which turn out to be far too long to deliver and which I recommend my friends to read rather than attend. It happens also to be the starting point of the Section F conference book, also to be published by Edward Elgar, in which a variety of different authors develop this theme. In the present volume it is a stepping stone to some more personal thoughts in which I tackle some of the puzzles about the role of self-interest in market systems. This leads to some questions going beyond political economy to utilitarian ethics and the contractarian alternative. Finally in Part One I commit the unpardonable offence of defending Margaret Thatcher's celebrated saying 'There is no such thing as society', although not in terms of which she would necessarily approve.

Part Two attempts a bridge to more specific issues by a look at two rival modern thinkers, Keynes and Hayek. Despite his recent vogue in limited circles, Hayek is still much the lesser known and too frequently dismissed as just a synonym for the outlook of Margaret Thatcher and Ronald Reagan. The essay on Hayek therefore aims to give a reasonably rounded critique of his later work. The one on Keynes, on the other hand, deals mainly with his attitude to democratic government.

My assessment of Keynesian economics is to be found in the more impersonal Part Three. That Part is concerned with what many people wrongly think of as the entire subject matter of economics: inflation, depression, monetarism, exchange rates and so on. Although I have never been able to take too seriously slogans about the balance of payments, the unique importance of manufacturing and 'competitiveness', the newly written Chapter 8 is my first published attempt to put my heresies (which are really restated orthodoxies) coherently in one place. The key is that deficits are experienced by companies and individuals – and indeed governments – but not by such strange entities as 'the UK' or 'Europe'. This theme provides a useful link with the discussion of basics in Part One. There is in Part Three some onward momentum. For I wrote or rewrote these macroeconomic chapters in more or less the order they appear. Their subject matter is so intertwined that I have treated them as a whole; and readers might well find what appear as glaring omissions in one chapter analysed in the following one.

Part Four moves further towards the specific with a still interim assessment of the Thatcher government's economic legacy. It naturally leads on to one of the main problems not so far successfully tackled by any regime or system, that of unemployment. Chapter 11 is another attempt to put together thoughts on the link between pay and jobs.

Part Five, which gives the book its name, starts with a concise statement 'Redistribution: yes. Equality: no'. It should be useful for those who have not the patience to plough through the earlier, more analytical material, as well as to those who want to see it further developed. It naturally leads on to the question 'What do

we do if some market-clearing wages are unacceptably low?' Is it to provide all citizens with the equivalent of unearned income, independent of pay? Chapter 13 takes another look at this topic, and seeks a way of promoting some of the objectives gradually without the horrendous cost of the pure Basic Income proposal.

The final essay uses my Mais Lecture, given in 1989, to pull together, as far as possible, the subject matter of the whole volume. There is therefore some slight unavoidable repetition of earlier themes.

## FOOTFALLS IN THE MEMORY

### Early Enthusiasms

My publisher has suggested that I preface these essays with 'an intellectual autobiography'. I have interpreted this to mean an account of how I came to adopt the positions outlined. Thus what follows is emphatically not a full personal autobiography.

My father was a general practitioner in north-west London. Both he and my mother were of Lithuanian Jewish extraction, although naturalized before I was born. As a child I was precocious without being a prodigy. For instance, I worried that the hottest places were not always those nearest to the equator and that the coldest were not always at the poles. Then I switched from an obsessive observance of Jewish rituals to proclaiming my disbelief in religion. What I have retained from this period is a selective liking for ceremony and observance. I attended the last Christmas Eve Latin mass at the Brompton Oratory when a Mozart work was sung.

My early political instincts were more childlike. I started to say I was a Liberal because my mother was one. One family legend has it that I said to a 16-year-old girl: 'The Liberals gave you your old age pension.' But I did as a post-war teenager declare that I wanted to be an economist. That was because I supposed it to be the part of politics from which one could make a living.

Nevertheless, I did believe even in these tender years that mass unemployment was not merely an evil, but a huge illogicality: unsatisfied wants existed side by side with unused labour. I was impressed by a book, which I picked up by accident, by the popular science writer Gordon Rattray Taylor who maintained that the cause of pre-war unemployment – both in reality and according to Keynes – was oversaving. I did not leap with joy to learn this. My iconoclasm stems in part from a frustrated desire to identify with authority and I could not easily believe that all the propaganda about National Savings was rubbish.

Another extracurricular influence was the now forgotten G.D.H. Cole's *Intelligent Man's Guide to the Post-war World*. He maintained that regular business



cycles existed entirely in the eyes of the beholder and that there was simply an irregular wave-like movement. Cole also made scathing remarks about *a priori* economists who made more and more refined models of perfectly working free markets and who should be left to spin out their fancies in peace.

Moving on from Liberalism, I brought myself up on a watered-down non-communist semi-Marxism which was then in vogue. One influence was Lancelot Hogben's *Mathematics for the Million*. I am afraid that I absorbed the sugar on the pill – such as the author's opposition to knowledge for its own sake – much more than I did the mathematical core. But I did take more seriously than many real Marxists the insistence of the *Communist Manifesto* that capitalism was objectively progressive for its time; and eagerly embraced the Cobdenite vision of world peace through free trade.

My politics became 'left wing Labour' or 'Bevanite'. This was because I wanted 'a socialist foreign policy'. This included a wishful belief picked up from my reading that western hardline policies had pushed the Soviet Union into repressive policies. Embarrassingly, one of my domestic duties was to take to a distribution centre parcels for a relative who had been deported from Lithuania to Siberia for no crime other than that of being a bourgeois element.

More creditably, I disliked the support given to repressive and corrupt regimes in Asia and Africa for the sake of anti-communism or oil. I had a whole litany, probably taken from some left wing MP, of 'sultans, pashas and effendis' that the west had no business supporting while prating about freedom and democracy. Here I have not changed and was very uneasy about fighting the Gulf War of 1990 to restore the al-Sabah dynasty to Kuwait. As Cobden said: 'In all my travels ... three reflections constantly occurred to me: how much unnecessary solicitude and alarm England devotes to the affairs of foreign countries; with how little knowledge we enter upon the task of regulating the concerns of other people; and how much better we might employ our energies in improving matters at home.'

With such attitudes I could not bring myself, either then or later, to admire Clement Attlee. I did once take part in a dinner with Attlee when he came to address the Cambridge Labour Club near the end of his period as Leader of the Labour Opposition. He was asked about Indo-China, which the French were on the point of losing. His reply was, 'Don't know enough to say.' He was also asked (not by me) about the economy. 'Why should I bother?' he replied, 'I have got Gaitskell and Wilson.'

At the age of 15 or 16 I ceased to see politics as the way to promote human happiness. This was not obvious to other people, as the reaction was taking place inside my own head. For a while I wanted to become a psychologist, as psychologists were the people most likely to understand the causes of human happiness and to initiate the reforms which would improve people's prospects.