

# Abandonment of Liberalism: Repentance or Retribution

ROY DOUGLAS

(Address to an audience at the Reform Club, London, May 26)

Governments can 'do' things for people only by taking away their money, or their freedom, or both.\*

YOU invited me to speak on the theme, "Abandonment of Liberalism: repentance or retribution". I wish the evangelical notion that a moment of repentance could wipe out the consequences of a lifetime of sin applied in economics! There will be retribution—there already is retribution—for our past sins, in any event; but that retribution will be far worse if we do not repent.

It is useful to ask what the word "Liberalism" means in our present context. It means the idea that the organs of government should intervene to the minimum extent with the life of the people, and particularly with their economic life. In that context, Gladstone spoke of money "fructifying in the pockets of the people". Government spending, and therefore the taxation which provides for that spending, should be reduced to the lowest possible amount. Where taxation is essential, it should be operated in a manner designed to produce the minimum interference with the life of the citizen.

This idea of Liberalism must never be confused with anarchy. The Liberal believes that the State has a duty to set, and to enforce, laws through which people may regulate their behaviour to produce the maximum prosperity, and the maximum happiness, for all. There is no liberty if a man is not protected against violence; or if he is not protected against cheating; or if his contracts are not enforced. All this is bound up with the notion of the "Rule of Law". Laws, according to this idea, should make it as clear as is humanly possible just what kind of behaviour is required, or is forbidden; and they should also make it clear what consequences will follow if those laws are broken. A man knows what penalty will be exacted from him if he commits murder, or if he runs his place of work in a way which contravenes the Factories Acts. This penalty is set down in the law, and is not determined by the whim of some individual who happens to possess executive powers of one kind or another.

Liberals of all kinds accepted these principles, even where they disagreed about their application. There was an argument for the view that home rule for Ireland was a logical development of Liberal principles, and an argument for the view that it ran against them; an argument for the view that radical land reform was "true free trade" and an argument that it represented a violation of the rights of pro-

\*In the U.S. this word has, we believe, been corrupted so that it is now equated with socialism or more "left-wing" philosophies.

perty, which were also essential to Liberalism. Not all Liberals at all times returned the right answers, but at least they asked the right questions. A Liberal asked the aspiring politician, "What restrictions will you remove if I elect you?" At different points in the nineteenth century, this question took various forms. Will you remove the Corn Laws and permit the people to buy grain at the cheapest price? Will you help to free the Bulgarians from rule by Turkey? Will you abolish income tax? Will you reduce the tax on tea? Will you remove the privileges of the Church of Ireland? Will you strike at the land monopoly, and allow people free access to the ultimate source of wealth?

Today, alas, the question which is asked is all too frequently the very opposite of the old Liberal question. People ask the politician, "What will you do for us?" My answer to that question, when I was a Parliamentary candidate, was "Nothing! What I shall do is to try to enable you to do things for yourself."

For governments can only "do" things for people by taking away their money, or their freedom, or both. If people ask the politician, "Will you assure me that, whatever vicissitudes of life befall, I shall always be able to obtain money from the State?" then the politician answers, "Certainly!"—but he adds, *sotto voce*,—"It will, however, be necessary to tax you so heavily that you won't be able to afford to make these provisions for yourself through private insurance fitted to your own individual requirements." The voter asks, "Will you make provisions to keep me in comfort in my retirement?" To this question the politician answers, "Yes—but I can only do that at the price of heavy taxation, or of inflation which will make it impossible for you to provide for yourself." The voter asks, "Will you educate my children?" To this again the politician gives an affirmative answer—but goes on to add—"I shall, of course, have to collect the money from you in taxation—and, furthermore, I propose to dictate the educational system which will operate. If, for example, I decide in favour of comprehensive schools, and you think your child would be better off in a different kind of school, then you must either fit in with my wishes, or else pay twice!" The voter asks, "Will you pay my medical bills through the National Health Service?" The politician replies, "Yes, indeed, but I shall insist on having a stranglehold on the medical system." And so on . . . examples of this

kind may be multiplied almost without limit.

What I think played a greater part than anything else in making people ask the wrong question is the curious myth that all those controls in some way benefit people of limited means at the expense of wealthier people. The fact is that rich and poor both lose; but the poor man loses the more. As a general rule, the rich man can escape the system by paying twice—which the poor man cannot afford to do. The rich man who does not like the educational system offered by the State may pay to have his children educated privately. If he does not think that the State insurance scheme fits his needs, he may take out other insurance. If he does not like the National Health Service, he may become a private patient, either in this country or abroad. The poor man cannot afford any of these things.

There is another myth—latent and generally unstated—in the existing system of State interference. This is the idea that in some way the organs of government know better than any individual man what is in the interest of that particular man. I recall vividly the words of that great Liberal, Sir Rhys Hopkin Morris: "There is no man alive who is sufficiently good to rule the life of the man next door to him!" To that I should add, "No—nor sufficiently wise or altruistic!" My hero here is Diogenes: the fellow who lived in a barrel. When Alexander the Great asked what he could do for him, the philosopher's answer was, "You can get out of my sunlight." That is a pretty good reply to the over-mighty executive.

Who, I feel disposed to ask, are these people—so wise, so good, so altruistic, so well-informed about everybody's requirements—that they are able to rule our lives for us? I have the highest respect for the audience in this room; but there is not one amongst you to whom I should willingly give control of my life, or of my economic destiny, even though several of you know me well and would, I believe, treat me with kindness. How much less am I willing to entrust that economic destiny to Mr. Callaghan—or Mrs. Thatcher—or, for that matter, Mr. Steel! How much less willing still am I to entrust my destiny to some bureaucrat about whom I know nothing!

Let us examine the degree of power which these



people now possess over the citizen's life. Professor Milton Friedman tells us that 60 per cent of the Gross National Product in this country is now spent

—not by the citizen as he chooses, but by the organs of government as they choose. Some people, I understand, have taken Professor Friedman to task and suggested that the true figure is not much over 50 per cent. Let us give them their point. Who indeed is qualified to spend, ostensibly on my behalf, half the money that I earn?

The truth is really far worse than the crude figures suggest. The organs of government not merely take more than half the money we earn. If my wife buys Canadian cheese she pays tax; if she buys French cheese she does not. When I came to this Club, our Chairman kindly bought me dinner. For that he was compelled to pay value added tax. I believe that if he had given me raw meat and uncooked vegetables, this would not have been the case. Value added tax indeed! Surely we want people to add value to products? And surely by taxing them when they do so, we are discouraging them from adding value? Taxes of these kinds—indirect taxes, we call them—not merely collect revenue—they also dictate consumption.

Nor is this the end of the enormities committed by the organs of government. Our money is dropping in value all the time because the Government is creating so-called "money" which is not backed by reserves. If I do the same sort of thing: if I issue dud cheques—I am rightly put in prison for it. Only today I saw an advertisement for what are called "Index-Linked Savings Certificates". The advertisement ran, "The money you put away now can buy as much in seven years as it does now." The impertinence is almost unbelievable. What the Government is saying when it issues these certificates is, "Give us a loan of your money for seven years, and then we promise we shan't cheat you as we shall with all the rest of your money. We shan't give you any interest for forgoing the use of that money for seven years, but at least you won't be any worse off!" What an invitation for thrift! The plain fact is that successive Governments in this country have been gradually robbing everybody of his savings. Again we find the poorest people are robbed the most. There can be few hardened criminals in Dartmoor who would unflinchingly rob old age pensioners of half or more of their life savings; but that is exactly what has been happening through inflation. It is stupid to blame capitalists or to blame trade unionists for that. None of them can create money; only governments can do that. It is governments, and governments alone who can stop inflation; and they can stop it by not spending the money they haven't got.

I have spoken of the quantity of money which is taken from us; of the robbery—concealed and unconcealed—which is going on all the time. May we now ask what control is exercised over its spending? If a board of directors in a private firm behave unwisely, the firm may go bankrupt. Alternatively, the shareholders may revolt, and either tip out the un-

satisfactory directors, or compel them to pursue wiser policies. When a public administrator makes a mess, what sanction exists against him? Effectively, there is no sanction. He will not be sacked or demoted for losing millions of pounds of public money, provided he doesn't actually embezzle that money into his own private funds.

Not only is the custodian of public money virtually immune from any adverse personal consequences in respect of his blunders; he is also under no effective control. The Comptroller and Auditor-General is only concerned to see that the money is spent lawfully, not that it is spent wisely. The Public Accounts Committee cannot even attempt to peruse more than a tiny fraction of money spent. Nor, indeed, can Parliament itself. Thus we reach the alarming conclusion that the bulk of the wealth earned by people in this country is managed by individuals who are not controlled either by the electors or by the operation of the economy.

It is bad enough when so many matters are in the hands of politicians or bureaucrats in this country over whom no real surveillance is exercised. It could be said that there is at least a theoretical possibility that the voters might resume control over their own lives and their own finances. Alas, even this is no longer the whole story. By the decision to join the European Common Market, this country undertook to impose common trade restrictions with eight other States in Western Europe. The body which decides what those restrictions shall be is the Commission of the European Economic Community. It is a body whose members are nominated by the Governments of the member-states; but they are not controlled even by the Governments, still less by the Parliaments, of those states. We now hear a great deal about proposals for direct elections to a thing called the European Parliament. This thing has no real power over the Commissioners: not even the shadowy sort of power that our Parliament would have over its Ministers and bureaucrats, if it cared to exercise it. It is a talking-shop of the most futile kind; and the people are being wilfully deluded if anyone

suggests that they will acquire any control over the policies pursued by the E.E.C. through elections to the European Parliament.

Worse; for the Common Market to which we are tied does not even consist of nations with similar economic interests to ourselves. The continental Common Market is practically self-sufficient—or it could be if it so desired. This country is not. We have to import half our food, and vast quantities of raw materials, from abroad. For more than a century, we have relied on being able to import food at the cheapest world prices. Now we are no longer able to do so; we are tied to high-cost continental food producers.

Thus we perceive something of the causes of our present distress. Do we honestly wonder that this country is in an economic mess? I believe the point has come when we must really look around and see where our present course is leading, and begin, step by step, to dismantle the whole illiberal and collectivist apparatus which has been set upon us.

Have no illusions. As I said at the beginning, the road back will not be an easy one. Many of the measures which we shall need to apply will be unpalatable. Many people will need to change their jobs, and to readjust their lives. The first consequences of moving towards freedom will be no more palatable than the consequences of breaking any other addiction. I do not think that this is the occasion to discuss in detail what needs to be done. Suffice to say that it will require the most careful and detailed attention to decide which restrictions we lift in which order; and how we may ensure that the weakest members of society are not called upon to make the heaviest sacrifices in the period of transition.

I return to the almost theological title of this address. Some retribution is inevitable. The choice which this country must make is whether it will be the retribution of a Purgatory from which, sooner or later, we shall escape; or a Hell from which there is no escape. It is only by real Liberalism that we may set some term to our punishment.

## Chasing the Illusion

ROBERT MILLER

WHEN people with the best of intentions presume to lay down rules of just conduct as a basis of a free society, they do not always take the trouble to define the terms they use in their arguments. At least Professor Hayek in the second volume of his trilogy *Law, Legislation and Liberty*,\* which he calls "The Mirage of

Social Justice", escapes being accused of such an omission. In fact, he goes to such lengths to ensure that we shall understand precisely what he means by the very word 'rule'—as well as 'value', 'justice', 'freedom' and so on—that frankly I found the first half of the book heavy going indeed. But my patience was rewarded in the second half, in which I saw the author's logically

stated arguments that much more clearly as a result.

In a free society—and before I proceed I cannot resist the temptation to state the obvious, that different people have different ideas of what is meant by 'free', and even a 'society' may not conjure up the same picture in all minds—the rules are of a negative character, that is, they state what a single member of that society may *not* do to injure or interfere with the life and property of his fellows. They lay upon him no specific duties, as such, except those which he may voluntarily assume by private contract; and it

\*Routledge & Kegan Paul Ltd., £4.95.