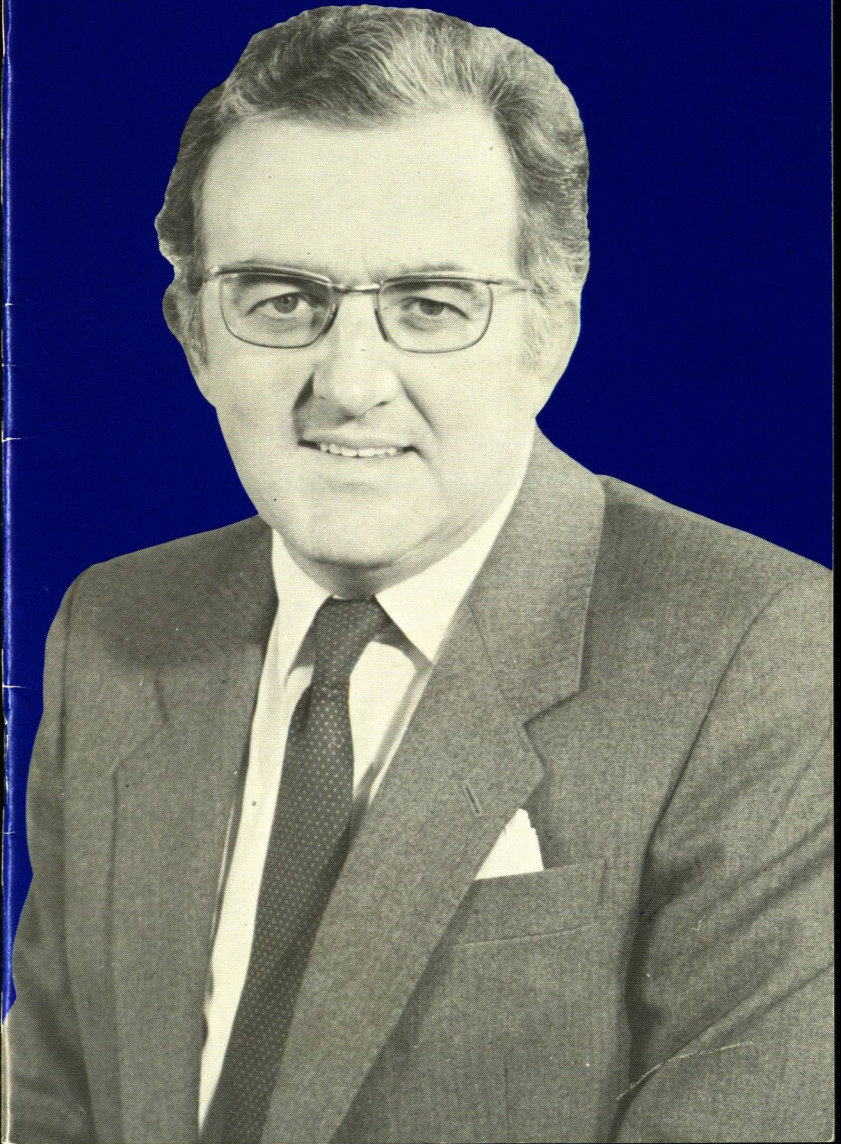


THE MORAL BASIS OF THE MARKET ECONOMY

Professor Brian Griffiths



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IT IS A VERY GREAT HONOUR, as well as a personal pleasure, to be invited to deliver the CPC lecture at this year's Party Conference. During a week in which there is so much discussion of the strategic and tactical issues relating to practical policies, the Centre is to be congratulated for giving us the opportunity to reflect on some of the broader issues relating to a Conservative approach.

In that connection, my subject tonight, 'The moral basis of the market economy', is an extremely important one. The debate over whether the market economy or the planned economy is the most effective way of creating wealth is, to all intents and purposes, finished. It has been decided by the evidence. When we examine the record, we invariably find that economies based on free markets outperform those based on government control of economic life. The contrast in Europe between East and West, in Asia between Malaysia, Singapore, South Korea, Taiwan and Hong Kong on the one hand and India, Indonesia and communist China on the other, and in Africa between the Ivory Coast, Kenya and Malawi, and Ghana, Tanzania and Mozambique is convincing evidence that the state is not nearly as successful a basis for an economic system as free enterprise.

But economic success has proved no guarantee of moral acceptance. While agreeing that free enterprise is economically effective, men and women of conscience are uneasy about its moral basis. Our cultural heritage in this country has been profoundly influenced by the Christian religion and it is only natural, therefore, that in thinking about proper moral standards, this should be our primary source. The Judaeo-Christian ethic can be summed up in the two commands that we are to love God and to love our neighbour as ourselves. For many people the market economy seems the complete antithesis of this: it succeeds precisely because people place material values above spiritual ones and because they look after their own interests while neglecting their neighbours'. As a result, the market economy is considered a selfish and unprincipled affair, in which the fittest survive and prosper, while the deserving poor are neglected.

In addition, the thinking of all of us has been influenced by Marx. We reject Marxist philosophy, yet through the influence of education and the media, the categories of Marxist thought – class, equality, alienation, exploitation, capitalism – have become an integral part of our world-view. The Christian concern for the needy has been replaced by a concern for alienation and inequality, and the workings of the capitalist system analysed from an historical materialist perspective of class conflict. The end result is that capitalism is viewed as a thoroughly immoral system which has become more difficult to defend objectively, and at the subjective level businessmen and industrialists feel guilty about giving it their enthusiastic support and benefiting from it.

In terms of the moral basis of free enterprise, therefore, the position we face is the following. The economic debate has been won: it is the moral debate that is in danger of being lost. As we have seen, it is primarily on moral grounds that people object to the market economy. By contrast, the advance of socialism has come from its attack on injustice. Economic efficiency, indeed viability, has been ignored. Unless we as Conservatives can show that our case has a moral foundation, I believe we are always in danger of winning the battle, maybe a succession of battles, but ultimately of losing the war.

The market economy is not neutral

Before developing my theme, I should like to say something about the market economy itself. I have chosen the term 'the market economy', rather than 'capitalism' or '*laissez-faire*', intentionally. Capitalism is a description, developed by Marx, of the market economy during a particular historical period. It is misleading because of its implicit taxonomy of people into capitalists and workers, and its implicit thesis of the exploitation of the one by the other. In reality, a competitive market affords opportunities but also imposes disciplines on everyone who is involved in the creation of wealth. Nor am I prepared to defend '*laissez-faire*'. Because it suggests the minimum possible role for government, it implies a close linking between the advocacy of the market economy and a libertarian philosophy which a Conservative approach has always, in my judgement, rightly eschewed, for reasons on which I shall elaborate later.

By the expression, 'the market economy', I mean an economic system which has been developed around the principle of voluntary exchange at freely determined prices. In general, people will exchange something only if it is to their advantage, so that as a result both parties are better off. A market is

not a setting in which one person gains because someone else loses, but one in which both parties benefit from the transaction. The great insight of Adam Smith was that in an economy in which people are free to pursue their own preferences, prices which are free to adjust will coordinate the diverse interests of millions of different individuals and in the process create greater prosperity for everyone.

In this process economists have rightly drawn attention to the role of prices. Prices are important, firstly, because they convey valuable information to consumers, producers, investors and entrepreneurs about changing market conditions and, therefore, about the need to re-order priorities and take new decisions; second, because they provide the material incentives for these new decisions to be made; and third, because the incentives lead not only to the creation of wealth but also produce a particular distribution of that wealth. Frequently a rigid line is drawn between the creation of wealth and its distribution. People talk about the size of the cake and how it should be cut. But in a market economy the creation and distribution of wealth are two sides of the same coin. Any attempt to regulate prices directly or to redistribute income is bound to impair the efficiency of the market process.

The explanation which I have given of markets is one normally given by economists. Yet all too often in thinking about markets, economists confine themselves to the role of prices, conceiving of the market as an intellectual construct which can somehow be understood in an institutional vacuum. While this approach may be convenient for understanding the price mechanism, it conceals an extremely important fact.⁶ A market economy cannot exist independently of certain institutions: in particular the widespread ownership of private property, the acceptance of the rule of law, and a positive but limited role for government. For example, without the institutions of private property and limited government, free markets would fail to develop: prices would be set arbitrarily with the result that queues, rationing and black markets would be the order of the day. Without the rule of law, which upholds binding contracts, voluntary exchange would lack certainty and we should be thrust back into Hobbes' state of nature in which not only is the life of man 'solitary, poor, nasty, brutish and short', but in addition 'there is no place for industry; because the fruit thereof is uncertain; and consequently no culture of the earth; no navigation, nor use of the commodious building; no instruments of moving, and removing, such things as requires much force; no knowledge

of the face of the earth; no account of time; no letters; no society'.

The role of government as positive but limited is also important. Even in the most efficient market economy there is always a need for government and not simply to provide the basis for order. There are certain products and services which a free enterprise system will fail to provide because individual producers would be unable to exclude from consuming the goods those who are unwilling to pay. These are termed by economists 'public goods' and the most notable examples are defence, national money, law and order and public health. In addition to providing public goods, government intervention is also necessary to enforce minimum standards and thereby set a boundary within which competition takes place; examples would be air safety regulation, third party motor insurance, weights and measures, and minimum schooling.

The importance of recognizing the institutional foundations of the market economy means that its basic structures are not amoral. Some people talk and write as if the market economy were a pure economic device which, from a moral point of view, was empty. The price mechanism is neutral in that it is a means rather than an end, a method of resolving differences rather than a judgement on the importance of what is produced: but because the market economy requires for its very existence respect for private property, strong if limited government, and economic freedom under law, it cannot be considered a morally neutral system.

Markets need moral values

A market economy requires not only the existence of certain institutions, for its most effective operation, but that individuals hold strong moral values and, more than that, strong moral values of a certain kind. It is interesting to notice that when Weber explored the origins of capitalism in Western Europe and America, he observed how capitalism had existed in earlier societies – China, India, Babylon, the classical world, and the Middle Ages – but noted that the distinguishing feature of modern capitalism was what he termed its 'spirit'. Significantly, the title of his seminal work was not 'The Protestant Ethic and Capitalism' but 'The Protestant Ethic and the Spirit of Capitalism'. Without discussing the details of Weber's particular thesis, there should, I believe, be widespread agreement over the fact that the kind of market economy which we have inherited in the Western world needs certain values to underpin it. I would like to draw your attention to three in particular.

The first is a sense of personal responsibility. The roots of personal responsibility lie deep in the religious foundations of our culture. In the development of modern capitalism a belief in individual responsibility sprang from the Judaeo-Christian tradition of man created in the image of God, possessed of free will and a free conscience, endowed with the ability to distinguish right from wrong, having the power to make deliberate choices, but always personally responsible for the consequences of those actions. A hundred years ago the dictionary definition of 'business' was 'employment; an affair; serious engagement; something to be transacted; something required to be done'. Doing business was identified with being responsible. Freedom in the economic sphere was real freedom, the opportunity to initiate, to invest, to speculate, but always accepting that the consequences which resulted from such actions were the responsibility of the person by whom they were undertaken. This concept of personal responsibility presupposed a respectful view of man: each individual having a unique personality, endowed with specific abilities, capable of developing character through choice, and being able to influence the course of events, however small, however large.

Recently, I came across a very interesting contrast to this view in a contemporary situation. The Catholic African Bishop of Bururi, Mgr. Bernard Bududira, in an article in an African magazine in 1981 on the subject of 'Fundamental Causes of Underdevelopment', spoke with remarkable insight about his own culture.

'Our African people endure the vicissitudes of nature without resisting them. Improving nature is tantamount to rebellion against its hidden powers. African stories are proof of this attitude.'

'It therefore follows that the concept of people having to accept responsibility themselves for making the necessary changes to outmoded economic structures is not being taken over. This fatalistic belief in "providence" manifests itself in all the underdeveloped societies of Asia, Africa and South America. It is without doubt one of the most serious causes for slowness or even socio-economic stagnation (inherent in the fabric) of these countries. The tendency to expect everything from God, to be passive towards life and accept poverty as fate-ordained, acts as a check on human willpower and prevents a person from attaining his full potential and facing up to the problems of life.'

As I have read and re-read the Bishop's statement, I could

not help thinking that if 'God' were to be replaced by 'government' and 'fate' by 'the state', this would be an increasingly apt description of life under the welfare state.

'The tendency to expect everything from government, to be passive towards life and accept poverty as state-ordained, acts as a check on human willpower and prevents a person from attaining his full potential and facing up to the problems of life.'

Another value which underlies a free enterprise economy is the concept of community and trust. The rhetoric of the market economy frequently invites attack for being excessively individualistic and for neglecting the ideal of the community and its shared aspirations. Nothing in fact could be further from the truth. At the very heart of capitalism, the institutions through which the energies of people are brought together and through which wealth is most effectively created, are communities based on trust. The family firm, the professional partnership, the limited company, and the multinational corporation are all communities of people. The very terms, 'partnership', 'company', 'corporation', all express the non-individualistic character of free enterprise institutions; and this is so regardless of the form of ownership. Some firms are privately owned, others state owned; others, such as the building societies and savings banks, are non-profit-making institutions; still others are co-operatives. A free economy allows a variety of different kinds of institutions within it, but all of them are human communities which depend on trust being extended and accepted.

Markets are also communal institutions: the village shop, market day in a country town, the floor of the Stock Exchange, the suburban high street – all involve social relationships and are dependent ultimately on trust. The motto of the Stock Exchange, 'My word is my bond', represents the ideals of the markets and institutions of the City of London. By their very nature communities require trust and cannot exist alongside a spirit of excessive individualism. A lack of public spiritedness or of enlightened self-interest acts to undermine the market economy and to prevent its development. In fact, excessive individualism is incompatible with the market economy. A very good example of this was a fascinating study undertaken some years ago by Professor Edward Banfield of Harvard University on the causes of backwardness in Southern Italy. Having lived in and studied one of the communities of the region, he concluded that its backwardness was not primarily due to

poverty, ignorance, class oppression or a pathological distrust of the state, but to what he called the ethos of the amoral family, the primary characteristic of which was that each family totally distrusted every other family, and that not even a minimum of co-operation between families was therefore possible.

A third value which is necessary as a basis for a market economy has to do with justice. This is a complex issue but two points are important.

A certain kind and degree of inequality in the distribution of income and wealth is essential if a market economy is to function. A market economy is incompatible with the pursuit of unwavering economic equality. The typical justification for this runs something as follows. The market economy is like a game, the definition of which, according to the Oxford English Dictionary, is 'a contest played according to rules and decided by superior skill, strength or good fortune'. If a society wishes to preserve economic freedom, then it cannot dictate the outcome of the game. If it does decide on the outcome, this can only be achieved through coercion which, of course, destroys liberty. For example, if the state decides appropriate income levels, these can only be achieved through taxation or the direction of labour, both of which involve the loss of freedom and efficiency. The best the state can do is to ensure that the rules by which the game is played are fair, so that fraud, violence, monopoly and other restrictive practices are outlawed.

But more than inequality is involved in considering the view of justice appropriate to a free enterprise system. It is impossible to defend the specific distribution of income and wealth which results from the market process as conforming to our individual idea of a morally just distribution. The rewards to individuals do not pretend to reflect the intrinsic worth of either themselves or their jobs but, rather, market conditions. The fact that a pop star earns a great deal more than a nurse, or a plumber a good deal more than a porter, says much about relative scarcity and good fortune but little about morality. The moral basis of inequality is not that the result of the game is the reward for virtue, but rather that if the rules of the game themselves are fair then the outcome is also fair.

***Laissez-faire* and traditional Conservative values**

In considering justice as the basis for a market economy, we are coming very close to the heart of traditional Conservative values and the contrast between them and *laissez-faire*. It is

impossible at any fundamental level to separate the intellectual defence of the market economy from a firmly held philosophy. If we examine the three major defences of the market economy over the past two hundred years, they have all been conducted within a specific philosophical framework. Adam Smith was a product of the Enlightenment, and his defence of the system of natural liberty proceeded from the assumptions of the Enlightenment view of the world. Herbert Spencer was a social Darwinist, and his advocacy of the 'survival of the fittest' was based on an evolutionary concept of society. Today the leading intellectual champions of the free market, Friedman and Hayek, (whatever their private views may be) put forward their case from the assumptions of a secular libertarian philosophy. Each defence, therefore, is related to a distinct philosophical position: deism, social Darwinism, and libertarianism. Each defence also presents some analogy of the economy which is related to a particular philosophical position: in Smith, the implicit concept is that of the mechanism; in Spencer, the animal world; and in Friedman and Hayek, the concept of the game. In each there is also a ruling principle which ensures that the system works: the process of natural selection in Spencer, and the invisible hand of the economists.

There are many differences between these defences of capitalism: but despite the differences, they all have certain common features. They are all an attempt to present economic life as something which is impersonal, amoral, which can be expressed as or reduced to a 'system' and which, as a system, has a natural tendency to equilibrium. In short, they are all derivative of a Renaissance and Enlightenment worldview in which God is pushed into the background and economic life made autonomous of anything divine or ultimately, indeed, or anything human as well.

I believe that the attempt to reduce economic life to a mechanism and to conceive of the laws of the economy as independent of morality is profoundly humanist and secular, and as such is deeply repugnant to traditional Conservative values and a Christian conscience. A Conservative has difficulty in accepting a *laissez-faire* philosophy; neither can he accept the argument of modern libertarianism that economic justice should concern itself solely with the rules of the game of economic life. In the nineteenth century most of the legislation which attempted to ameliorate the consequences of the Industrial Revolution – relating to, for example, the conditions of employment of women and children in factories and the provision of schooling, housing

and public health measures in cities – was passed by Conservative governments. In the case of the regulation of work and of industry, many of the new provisions were opposed by the Liberals precisely because they interfered with the working of the economic system. This opposition was grounded in a *laissez-faire* philosophy. But it was the firm view of men such as Lord Shaftesbury, Sir Robert Peel and Lord Salisbury that economic life was not autonomous of morality, but subject to it, and that they, as trustees of a higher power, had a responsibility to ensure that justice was more than the legal protection of private property rights. I believe this is one strand in the authentic Tory tradition: a strong belief in the individual and the market economy as the best way to ensure the improvement in the standard of living of all the people, but always subject to a concern that justice, properly understood, must be done through both government and voluntary agencies.

Living as we do today under the shadow of the growing Leviathan of the state, it is not surprising that the major injustices of our time are not the abuse of power by the private sector but by the state and its agencies. It is because of this that our present Prime Minister, with her great respect for the dignity of the individual and the family, a keen sense of the abuse of power which has accompanied the phenomenal growth of the public sector, and a deep concern over the moral standards of our nation, is the true heir of traditional Conservative concerns and values.

Markets strengthen morals

But markets not only require a moral basis, they also strengthen the moral dimension of a society.

Most cultures pay lip service to the dignity of the individual human being. Within our particular heritage the individual possesses dignity as someone created in the image of God. But if we take human dignity seriously, this demands that the individual is given the greatest possible area over which he can exercise deliberate choice. Only a free decision can be judged by moral criteria. A free enterprise economic system respects the personal freedom of the individual, in that it allows the greatest possible freedom of choice and of individual responsibility in economic matters. A state planned and regulated economy does not respect the personal dignity of the individual in the same way. When the state restricts personal choice in economic matters and eliminates choice over employment, housing and saving, the state restricts the moral opportunities afforded to individuals and in turn the

ability to fulfil to the maximum what it is to be a human being. It is interesting that in St. John's apocalyptic vision, one characteristic of an evil totalitarian state is its complete monopoly over economic life; the restriction of economic freedom must narrow the scope of political freedom and ultimately for religious freedom as we see in the U.S.S.R. and its socialist satellites.

This view of freedom has come under attack from Marxists on two grounds. First, they contend that the choice which is exercised through the market is different from that which individuals would make if they were not handicapped by a 'false consciousness', which is the product of propaganda from the media, advertising, education and the general cultural environment. Next, they argue that the freedom which the individual possesses is a 'formal' freedom, in that while the individual may have the legal right to exercise choice, in reality the binding constraint is lack of funds.

Both of these criticisms could in principle be levelled against any society at any time. When one considers the apparatus of propaganda in Marxist totalitarian countries and the way in which dissidents are treated, in comparison with the freedom accorded in Western countries for even those with fundamentally undemocratic views to have their case heard, however much plausibility there may be in the charge of false consciousness, it is difficult to accept that our choices are less real than those in any known alternative system. In terms of the other charge, one can only observe that in the past fifty years the extent of the financial area over which it has become possible to exercise choice in the West has been very much greater than behind the Iron Curtain; and that as far as political choice is concerned, our system of free elections is something systematically denied the citizens of most socialist countries.

Another benefit of the free enterprise economy is that it is conducive to political freedom and the growth of liberal democratic institutions. This is not to say that the market economy is synonymous with political freedom but that a free economic system would seem to be a necessary though not a sufficient condition to ensure political freedom. There is no example of a society with a liberal political tradition which did not also have a fairly free economic system. There are, however, many examples of societies with a free enterprise base to the economic system but yet which are decidedly authoritarian in political terms, for example, the Philippines. The reasoning behind the observation is that the extension of the market economy reduces the area of political decision-

making and therefore makes it more difficult to build up a concentration of political power. The threat of that really exists when politicians have control not just of political power but of economic power as well.

The morals of unemployment

The theme of this lecture so far has been that the market economy has a sound moral basis. Many charges have been made against it on specifically moral grounds – that, for example, it encourages the profit motive, greed, individualism, competition, materialism – but in the time available there is one objection which I would like to single out because of its relevance to us today, and that is the problem of unemployment. The argument is that unemployment is wasteful economically, is divisive socially, has damaging effects on the individual and, from a moral point of view, appears to be a denial by society of a basic human right, namely, the right to work.

Over the past fifteen years unemployment has shown a trend increase in all Western countries. At least four factors are important in accounting for this problem. The period since the mid-1960s has seen the most sustained and severe peacetime inflation in the whole of our recorded history. The inflation has been high and variable, and its effect has been to undermine business confidence and deter investment in productive industries and services and to distort investment, for example by diverting it into hedges against inflation. The result is that the new capital investment necessary to create extra jobs has not been undertaken. Inflation has destroyed jobs.

Next, there are the major structural changes which have taken place in the world economy and to which we as a nation are forced to adjust. The emergence of the newly industrialized countries of the Third World, as well as the continuing rapid growth of others such as Japan, have rendered traditional industries, such as steel, shipbuilding and textiles, unproductive. At the same time the major change in the price of oil in the seventies, linked to the discovery of oil in the North Sea, has implied another major structural change for this country. But change implies that certain industries contract and others expand, and that during the transition unemployment is higher.

Third, is the fact that for a business the cost of employing labour has been steadily rising. Not only does a firm have to pay a national insurance contribution; it now also has to make generous redundancy payments. Legislation has made it

more expensive to sack an employee and to discriminate between certain kinds of workers. While job tenure and equal opportunities may be desirable in principle, from society's point of view they are far from costless, which is reflected in the rising unemployment statistics.

Fourth, there are incentives provided by government for people to remain unemployed. This is not to suggest that many people choose unemployment over work because of the size of the benefit – though some certainly will – but to recognize that if on average those made redundant spend more time between leaving one job and starting another, the total unemployment figure is increased. There is evidence that this happens. Moreover, a housing policy which has subsidized council house rents and discouraged private renting, has created a major barrier to freer mobility of labour between regions within the country.

From a moral perspective there is one important distinction that needs to be made in thinking about unemployment – that between the right to work and the right to be employed. The right of access to opportunities for work, regardless of race, creed or political beliefs, is a fundamental human right. But it is not the same as the right to be employed. The right to be employed suggests that the state has a responsibility and the wherewithal to provide employment for all who wish to work. When people talk of the right to work they really mean the right to be employed. Frequently they mean more than this: they mean not just the right to be employed in a general sense, but the right to be employed in a particular kind of job, in a particular part of the country, earning a certain wage. But this is a right that no state can ever fulfil. Even in the most socialist state the government is unable to provide employment on these terms. The only way in which the state could provide employment for all would be if it were given the right to set wage levels and differentials, to direct labour to particular parts of the country and to direct companies over what to produce and where to locate. It would lead to a massive growth in bureaucracy, lower profits and more bankruptcies among businesses, a lower level of prosperity and the loss of personal economic freedom for all: precisely, in fact, to the kind of economy which now exists in the Soviet Union and Eastern Europe.

Neither is the answer for the government to create a massive reflation by higher public spending. I have no doubt that such a policy would reduce unemployment; but only temporarily. Higher public spending would have to be financed; and this would mean either higher taxes, the sale of

debt and higher real interest rates, or printing money and higher inflation. With one hand the government would create jobs but with the other it would destroy jobs. We have had three major reflationary periods in this country in the past twenty years and in each case the level of unemployment at the end of the cycle was higher than at the beginning. To argue in this way is misplaced compassion.

A far better approach which would combine economic realism with moral concern would, I believe, be made up of the following three elements:

- a steady reduction in money supply growth and in the budget deficit to achieve zero inflation and balanced budgets (corrected for productive investment) in order to maintain the more stable economic environment which has now been created;
- the abolition of all barriers to companies employing people, including such things as national insurance contribution, employment protection legislation, wages councils and restrictive and disruptive trade union practices;
- the need to ensure, especially for the lower paid, that net income from work is sufficiently attractive that people have a financial incentive to move from receiving benefits to paid employment.

If these policies were pursued, I believe we could over the next five years create new employment opportunities and reduce the level of unemployment very substantially.

The survival of the market and liberal humanism

Before I finish this lecture I would like to raise one final issue. We have seen that the market economy is dependent for its existence on a certain set of strongly held beliefs, in particular those relating to individual responsibility, a sense of community and trust, and a particular view of justice. Its survival therefore is bound up with the values of our society and in this connection we would do well to reflect on something observed by Professor Hayek: 'only societies which hold moral values similar to our own have survived as free societies, while in others freedom has perished'.

If the market economy is to survive, the matter of moral values has to be taken seriously. In the past the source of these moral values in this country has been the Christian religion. By its very nature, however, the values of a free society cannot be guaranteed from one generation to another. In a pluralistic society values may emerge which, although

they are the product of freedom, undermine the very structures which permit that freedom.

I believe this is precisely what has been happening over the last thirty years. As we look back, the 1950s are something of a watershed in terms of values. The influence of the church and traditional moral values had until then exerted a powerful influence; but since then a new source of values has emerged which already has had a profound impact on society, namely, liberal humanism. It declares that man is independent of any higher authority and possessed of absolute freedom of choice, and that the only constraint on any kind of behaviour is that third parties should not be harmed. A belief in original sin is replaced by one in original goodness and the most basic problems of our society are analysed not in terms of a fallen human nature but of the structures of society. The classic commitment to liberal humanism comes, as it so happens, from one of the outstanding economists of the twentieth century, John Maynard Keynes. Summing up the views of his Bloomsbury friends and himself towards the beginning of this century, he writes:

'We entirely repudiated a personal liability on us to obey general rules. We claimed the right to judge every individual case on its merits, and the wisdom, experience and self-control to do so successfully. We repudiated entirely customary morals, conventions and traditional wisdom. We were, that is to say, in the strict sense of the term immoralists . . . we recognised no moral obligation, no inner sanction, to conform or obey . . . So far as I am concerned, it is too late to change. I remain and always will remain an immoralist.'

Paradoxically it turns out that the values of liberal humanism are a very insecure basis for a free society. Consider first the matter of personal responsibility. The growth of the social sciences, and especially the fields of psychology and sociology, have dealt a major blow to individual responsibility. In the field of psychology, determinism has attempted to explain human behaviour solely in terms of environmental and hereditary factors. The consequence is that the individual is nothing more than an automaton and any notion of choice or free will disappears. Professor Skinner, one of the most influential American psychologists today, is under no illusions as to where this leads. 'If my behaviour is determined . . . then in what sense can I be held responsible for my present behaviour patterns, since all are determined and predictable from past experience?' The idea of us

'earning' something or 'deserving' something in a market is dismissed and the distribution of income and wealth becomes a purely random affair which invites close government control to achieve a more 'fairer' distribution.

Although not strictly determinist, Freudian influence has also eroded our sense of personal responsibility. Through the emphasis on such ideas as the unconscious, inhibition, repression, and the need to be freed from conventional moral restrictions, Freud too has opened the way to the abdication of personal responsibility and permissiveness.

The erosion of personal responsibility has been strengthened through the growth of the welfare state. The fact that the welfare state has grown to encompass housing, retirement pensions, education, health care, welfare benefits and a variety of other services, means that the state's welfare provision is no longer an attempt to redistribute income to the deserving poor: it is now a complex redistribution of income within social classes, just as much as between social classes; and more importantly, it involves a redistribution of responsibility away from individuals and families to government and its agencies.

A second area of attack has come from the growth of Marxism. Whereas previously inequality of income and wealth was accepted as the norm for society and the focus of a just economic order was the remedying of specific wrongs, the effect of Marxism has been to make equality the basic norm and to question on moral grounds any deviation from it. I believe that the pursuit of equality within a liberal humanist framework is one of the major factors which accounts for the growing burden of the state and the all-too-familiar problems of inflation, high taxation and high interest rates in our economic life. In addition, the self-doubt created in the minds of the young by this superficially appealing concept and the scepticism with which business views an economy struggling under the burden of growing government, have in post-war Britain already sapped the market of its vitality and strength.

The impact of the decline of religion and these new values on society is already staggering. Divorce has risen from 29,000 in 1950 to just over 170,000 in 1980. Over 40 per cent of all marriages now end in either divorce or separation, so that one parent families have become a major social concern. Since the abortion law reform of 1967, more than two million abortions have taken place. Crime is rising faster than inflation, by ten per cent a year. Murder has increased by five times between 1950 and 1980 and total crimes of violence

against the person have increased from 3,880 in 1930 to 52,400 in 1980. Juvenile crimes of violence against the person have increased by 30 times over this period. Drug addiction and alcoholism have emerged in recent years as important social problems. It is inconceivable that these new values have not also exerted an effect on our economic life.

The impact of liberal humanism could some day threaten the very existence of the market economy. Meanwhile its moral basis has become that much more difficult to justify in a secular age.

Conclusion

It is now time for me to conclude. The case I have been seeking to present is that the market economy is not just a neutral economic device but a set of traditional institutions which we have inherited from previous centuries and which have a firm moral basis. No system is ever perfect; any system, however good, is always open to abuse. But in terms of raising the standard of living for all people, while still respecting the dignity and freedom of the individual, the market economy is unrivalled.

Conservatives proud of their heritage should never feel guilty in defending a free enterprise economic system. But it will be a defence based not on the values of nineteenth century liberalism, nor modern libertarianism, nor even on grounds of pragmatism, but on those standards of concern, justice and service which Judaeo-Christian values have given us.

The task of strengthening and protecting these values is one which is crucial, not just for the future of the market economy in this country but for liberty itself. It is a task in which each of us is called to play a part. It is for us to respond.

THE AUTHOR

Professor Brian Griffiths was born in Swansea, Wales, in 1941 and educated at Dynevor Grammar School and the London School of Economics. He taught at the London School of Economics specializing in the field of money and finance until the end of 1976.

He was then appointed Professor of Banking and International Finance and Director of the Centre for Banking and International Finance at The City University, London, which was launched as a result of an appeal by a former Lord Mayor of the City of London. He has written and broadcast extensively in the field of money and finance and has, for a number of years, been a consultant to various City firms. Since 1977 he has been a Member of the Panel of Academic Consultants to the Bank of England.

Since 1982 he has been Dean of the City University Business School.

He was a candidate in the General Elections of 1974 for the Blyth constituency in Northumberland.

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