

## Markets and Community

*David Willetts, Modern Conservatism, Penguin, Harmondsworth, 1992*

*Reviewed by Michael James*

When David Willetts wrote this book he was Director of Studies at the Centre for Policy Studies, a British think-tank set up over two decades ago by a group of free-market Conservatives. In 1992 he entered Westminster as a Tory MP. He is now a major contributor to the debate about 'community' that has sprung up in Britain in response to disillusionment with the Thatcherism of the 1980s.

'Modern conservatism', as Willetts defines it, emerged as a reaction to the economic *dirigisme* of Britain's post-war Labour government. It was distinguished by its commitment to freedom, prosperity, and a version of the welfare state. One of Willetts's main purposes is to show that the Thatcher period was not an aberration inspired by a dogma hostile to traditional conservatism, but was rather an authentic manifestation of modern conservatism and, moreover, of Britain's conservative tradition generally. Willetts does a good job of showing that conservative thinkers from Burke to Oakeshott have espoused free-market economics, and that this commitment does not conflict with their equally strong commitment to community. But his attempt at a conservative justification of the welfare state is far less successful.

Willetts is especially good in his treatment of two central problems in conservative thought. The first is the claim that conservatism is led by its scepticism and emphasis on tradition into relativism — supporting everything that exists just because it's there. Willetts argues that although conservatism avoids abstract and absolute principles, it does embody criteria for evaluating institutions. The most important criterion is the British tradition of equality before the law; this justifies opposition to trade unions' 'customary' immunities. Willetts cites the further tests of durability (which itself is evidence of usefulness) and the extent to which practices rely on state coercion (the more they do, the greater the presumption against them).

Nevertheless, these criteria can conflict with one another. Britain's first-past-the-post electoral system, for example, is certainly durable, but it renders individual votes unequal. Willetts himself devotes several pages to arguing in favour of the electoral status quo; for him, durability should have precedence over fairness on this issue. (Only when the Tories are out of office, it seems, do they notice that Britain is governed by a system of 'elective dictatorship'.)

The second problem relates to the conservative commitment to community. Willetts easily shows how misplaced is the claim that capitalism destroys community: 'It is capitalism which creates the space for communities' (p.25). The problem this topic raises is this: 'Does the conservative believe in the *community* embodied in the nation-state or rather in an intricate, overlapping *network of communities* in which the nation-state has a special but not commanding role?' (p.71; author's em-

phasis). Willetts rejects Burke's conception of the communitarian state in favour of Oakshott's notion of the state as a civil association that protects people's freedom to form and maintain communities. In response to talk of the 'atomisation' of modern society, Willetts draws attention to the Americans' astonishing capacity, despite their mobility, to form communities of the like-minded.

In contrast to Willetts's treatment of these themes, his chapter on the welfare state is muddled. Contradicting his earlier argument against the community-state, he writes: 'The welfare state is an expression of solidarity with our fellow citizens . . . it expresses our sense of community' (p.141). He later approaches reality when he admits that the welfare state 'can alienate us from others' (p.148). But his main argument for the welfare state is that it is a form of mutual insurance that assists the market, and not an instrument for redistributing incomes in the name of 'social justice'. He backs up this distinctive 'conservative' justification of the welfare state by citing F. A. Hayek's claim in *The Constitution of Liberty* (1960) that governments could legitimately have a role in providing social insurance and education. Actually, Hayek went on to warn that if social-insurance arrangements were monopolised by the state they would stifle innovation and evolve into an instrument for socialising income distribution. Hayek therefore recommended 'the gradual transformation of the sickness and unemployment allowance systems into systems of true insurance under which the individuals pay for benefits offered by competing institutions' (p.304). As for age pensions, he warned that financing these from the incomes of the current working generation would probably create an ever-growing tax burden from which voters would try to escape by inflation or outright default. A careful reading of Hayek suggests that he actually recommended a state-guaranteed minimum income with the maximum possible private-sector involvement in competitive service delivery.

Willetts favours the growth of voluntary charities and recognises their role in enhancing community. But he nowhere acknowledges that that role is largely crowded out by state welfare and in particular by the heavy tax burden it imposes. He actually opposes the means tests that would in principle lighten that burden, on the grounds that they create disincentives in the form of poverty traps. But high taxation itself creates disincentives. So although Willetts is aware that the welfare state can erode values, he seems to shy away from the tough policy decisions needed to avoid that outcome.

The sad truth is that the Thatcherites failed to reform Britain's welfare state and so bequeathed their successors a monster growing out of control.

Willetts's book raises two questions in my mind about the identity of conservatism. The first is its relationship with classical liberalism. Willetts contrasts the conservative principle of community with the liberal principle of abstract individualism, citing John Rawls's contractarianism as an example of the latter. But mainstream liberalism stems from 18th-century thinkers like Hume and Smith who rejected social-contract theory and abstract individualism generally. Towards the end of his book, Willetts admits that the conservative insight that community and the free market are mutually dependent brings it 'close to the most sophisticated liberal-

ism' of thinkers like Hayek, whose essay 'Individualism: True and False' is, he says, 'a classic Conservative text' (p.182). Willetts thus displays a sounder grasp of social thought than those Australian conservatives who insist that a vast gulf separates conservatism from liberalism.

The second question is whether Willetts's conception of modern conservatism is historically sound or whether it represents an idealisation of Thatcherism. There have always been interventionist conservatives as well as free-market ones; Willetts himself traces the see-saw between Tory 'wets' and 'drys' over the last 50 years. But this leaves one suspecting that each group has an equally legitimate claim on the party's traditions. Margaret Thatcher is no doubt an authentic British Tory; but Michael Heseltine, Britain's Minister for Trade and Industry who once said he was ready to intervene three times daily before meals, is surely no less of one.

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