
REVIEW ARTICLE

Recent Writings on Economic and Social Freedom

Charles Richardson

Gertrude Himmelfarb, The De-moralisation of Society: From Victorian Virtues to Modern Values, Institute of Economic Affairs, London, 1995

Samuel Brittan, Capitalism with a Human Face, Edward Elgar, Aldershot, 1995

Samuel Brittan and Alan Hamlin (eds.), Market Capitalism and Moral Values, Proceedings of Section F (Economics) of the British Association for the Advancement of Science, Edward Elgar, Aldershot, 1995

AS is now generally recognised, the end of the cold war and the collapse of socialism as a coherent ideal have returned to prominence the older struggle between liberalism and conservatism. On one side stand the enlightenment and its believers in progress and individual freedom; on the other side are the forces of tradition, nationalism, and ethnic and religious division. Now, coincidentally, two authors representing these opposing trends have addressed the same problem: the relationship between morality and the market economy.

This might all sound very abstract, but both authors focus on concrete, immediate problems: specifically, social welfare and the relief of poverty. Gertrude Himmelfarb makes the connection directly, blaming our social problems on moral decline. Samuel Brittan, for reasons which will emerge, does not draw such a link, but he also has interesting things to say about poverty.

Legitimising Values

Himmelfarb is a distinguished social historian, specialising in 19th-century Britain. Her first book was a biography of Lord Acton, the eminent liberal historian; she has since produced studies of Darwin and of Mill, a volume of essays, and several works on poverty and social life in Victorian times. Himmelfarb is also married to Irving

Charles Richardson is a consulting philosopher and freelance writer living in Umina, New South Wales.

Kristol, a leading ideologue of the American right. Their son is Bill Kristol, famous in recent times as ideas man to former Vice-President Dan Quayle.

Himmelfarb's topic this time is the moral standards of the Victorian era; 'a hierarchical, patriarchal, deferential order' (p. 54), whose citizens were 'disciplined, inhibited, conforming' (p. 85). Despite these descriptions, Himmelfarb is an enthusiastic partisan of the Victorians. Nothing that they do seems to faze her: religion, the monarchy, corporal punishment, poor sanitation, all are paraded in a tone of apparent approval. According to Himmelfarb, pretty much everything that we need to know about morality we could learn from the Victorians.

A good deal of what Himmelfarb has to say about the era is unexceptionable. Of course Victorian Britain was (by past standards) a prosperous and flourishing society. Of course there were many fine men and women who worked within the broad framework of Victorian morality. Of course it was not all so bad as it has sometimes been painted. But most readers will probably not need convincing about these things. The end of the cold war has left Himmelfarb at a bit of a loss; she often spends her time combating Marxist interpretations which are no longer more than academic curiosities (for example, the 'indigenous values' of the working class, p. 30; cf. p. 159). The book sometimes seems to consist of a relentless campaign against a series of straw persons.

It is also a mean-spirited book. Himmelfarb is not one to be charitable to her opponents, even when they have been dead for a century. She is positively gleeful when detailing the misfortunes of the 'new women' who defied Victorian social convention (pp. 198-204). She also recounts the fall of Oscar Wilde without a word of condemnation for the barbaric treatment he received at the hands of the 'moral' Victorians (p. 211). One feels that John Stuart Mill escapes similar treatment only because his prestige is too high for a frontal assault; even so, there is no doubt as to Himmelfarb's opposition to the central tenets of *On Liberty* (see for example pp. 206-8, and compare Himmelfarb, 1974).

Although the historical detail in Himmelfarb's book is impressive, she is not writing just as a historian. The main aim is to draw lessons for today's society. Her policy prescriptions are made explicit only at the end of the book, but they will not surprise anyone who reads that far. Himmelfarb is not content with the traditional 'neutrality' of the liberal state; she specifically attacks bans on government-sponsored prayer and 'nonjudgmental' attitudes to illegitimacy (p.247). Instead, she calls on conservatives to capture the apparatus of government and legislate for the moral values that she considers important:

Values, even traditional values, require legitimation. At the very least, they require not to be illegitimated. And in a secular society, legitimation or illegitimation is in the hands of the dominant culture, the state, and the courts. (p. 248)

Although Himmelfarb claims to be aware of the dangers of paternalism, and denies that a return to Victorianism is possible, she sets no limit on the range of government actions to enforce 'values'.¹

Judging Morality

How should liberals react to this sort of argument? No sane person denies that moral values have an effect on social and economic conditions — although the causal link can run the other way as well (Marx no doubt exaggerated this tendency, but he did not invent it). What standards, then, should we use to judge whether a particular set of moral values is appropriate for a free and prosperous society?

It seems to me that we should be able to assess morality on two separate levels. First, there is the suitability of the specific moral standards or rules that are taught. As W. K. Clifford (1879:183) put it, do they tend to 'knit society together, or rend it in pieces'? Second, there is the overall structure or tone of the moral code: does it encourage people to correct its errors and discover new truths, or does it disparage rational enquiry and therefore frustrate the search for truth? The authoritarian morality of the Victorian era fails on both counts.

With its insistence on social conformity, its rigid subjection of women, and its obsession with sexual matters, Victorian morality fell far short of full respect for human freedom and diversity. Freedom and diversity, moreover, are the key ingredients for unleashing economic growth. It is hardly far-fetched to suggest that the stultifying effect of rigid class and sex distinctions was one of the major factors which retarded Britain's growth in the late 19th and early 20th centuries. At the very least, we should have to say that the social utility of Victorian morality in its more controversial aspects has not been established.

It is a peculiar blindness in Himmelfarb that she fails to address this point. Indeed, she seems to largely share the obsessions of the Victorians. She disclaims any intention to 'belittle' the issues of 'illegitimacy, abortion, and homosexuality' (p. 5), and references to illegitimate births as a key social indicator keep cropping up throughout the book — even though she admits that there is no causal connection between illegitimacy and crime or poverty (p. 239).

More significant, however, is the fact that the structure of Victorian moral teaching, quite independently of its particular values, is hostile to the spirit of free inquiry. By basing morality on authority — originally religious authority, supplemented by quasi-religious attitudes to family and monarchy — and preaching the virtue of obedience, conservatives have tried to freeze standards in place and prevent moral doubt. In doing so, however, they have prevented much needed reform. Even a badly flawed set of doctrines can be accepted if it also contains the means for discovery and correction of errors. By contrast, even the best substantive code we can devise will be harm-

¹ As her subtitle implies, Himmelfarb distinguishes between 'virtues' and 'values', and prefers the former. I find her reasons for this distinction unpersuasive, and indeed she often ignores it herself (as in the passage just quoted). In many contexts, to substitute 'virtues' for 'values' is to make grammatical nonsense, at least in late 20th-century English.

ful if it is cut off from rational criticism. The ringing words of Milton (hardly an amoral libertine) on the subject deserve to be better known:

A man may be a heretic in the truth; and if he believe things only because his pastor says so, or the assembly so determine, without knowing other reason, though his belief be true, yet the very truth he holds becomes his heresy. (Quoted in Clifford, 1879:187)

It may be claimed, of course, that an authoritarian morality is at least better than none, and that we have now gone to the opposite extreme by leaving society, particularly children, with no moral guidance at all. Himmelfarb sometimes seems to adopt this attitude; it would explain the curious fact that she says virtually nothing in defence of her own moral judgments. What I think is really happening, though, is not that Himmelfarb might accept another morality in place of her own, but that she assumes that her morality is the only one there is. Like many conservatives, she readily accuses people of rejecting morality in general, when all the evidence shows is that they have rejected her particular moral judgements. Competing views on illegitimacy (pp. 240-1) are an obvious example of this, but not only contemporaries come in for this treatment: Nietzsche's attack on Christian morality is flagrantly reinterpreted as an attack on morality in general (p. 188).²

The lack of moral standards today is an empirically disputable claim. If we do observe moral chaos around us, however (and without conceding Himmelfarb's claim as to how great that chaos is), it gives no comfort to the neo-Victorians. On the contrary, it is authoritarian morality that must take a large share of the responsibility. When moral doctrines (sound or unsound) are tied to authority, then it is not surprising to find a decline in authority leading to a decline in morality. Most obviously, if morality is presented as part of revealed religion, and revealed religion is then discredited, morality is all too likely to go the same way. This is what Nietzsche saw as the great irony of Christianity's fate: by teaching people the virtue of truth, it prepared the way for its own destruction as the falsity of its empirical claims was established. Left unsupported, Christian morality was doomed:

In this way Christianity as a dogma was destroyed by its own morality; in the same way Christianity as *morality* must now perish, too: we stand on the threshold of *this* event. . . . [M]orality will gradually *perish* now: this is the great spectacle in a hundred acts which is reserved for the next two centuries in Europe, the most terrible, most questionable, and perhaps also the most hopeful of all spectacles. (Nietzsche, 1887:279, original emphases)

² Himmelfarb's attitude to Nietzsche is particularly interesting. She has read enough to demonise him, but not understand him. This is a pity, because Nietzsche has a lot to say about things which puzzle Himmelfarb. He could have explained, for example, how people like Oscar Wilde were attracted to Roman Catholicism without being religious (p. 214).

Now for Some Good News

Amidst all this doomsaying, the good news is that a basic moral sense does survive. Social cohesion may be battered, but it does not disintegrate. Some explanation of this, and much else of value, can be found in Samuel Brittan's *Capitalism with a Human Face*. Brittan is an economics columnist with the *Financial Times* of London, and has written a number of books on economic and political theory. His most well-known work is *Capitalism and the Permissive Society* (Brittan, 1973). In it he not only showed support for both economic and social freedom, but clearly pointed out the link between the two: something that still escapes conservatives like Himmelfarb.

In the present book Brittan has collected a number of his longer essays from the last decade or so, most of them extensively rewritten, with a new introduction explaining his intellectual development. The topics are many and varied, and it is impossible to do justice to all of them here. A recurring theme, however, is the morality of capitalism, and the way in which an understanding of ethics and of economics can reinforce each other. This is also the theme of the recent collection of conference papers edited by Samuel Brittan and Alan Hamlin.

Brittan's central point is twofold: that free markets depend for their proper functioning on a wide range of moral assumptions, and that moral values in turn can be understood as the outcome of spontaneous evolution in a market-like process. In the first chapter, 'Economics and Ethics', he discusses results in game theory, beginning with Axelrod's (1984) pioneering work on the 'Prisoner's Dilemma', that show how social cooperation can evolve among a community of self-interested agents. There is no transcendental revelation or appeal to authority, just an 'invisible hand' mechanism: moral standards evolve because they are more beneficial in the long run than a short-sighted pursuit of self-interest.

The result is a 'contractarian' approach to morality, although Brittan does not use this term until chapter three. He prefers to describe himself as a 'rule-utilitarian' — his greatest philosophical debt is to David Hume — in contrast to act-utilitarianism, which he somewhat mischievously ascribes to Keynes (p. 106). Recent contractarian work, such as that of Robert Sugden (1986) and David Friedman (1989), discusses how conventions emerge to govern social interaction, and how the conventions in time come to have moral force. These ideas explain (perhaps more than Brittan allows) how the market may be able to assist in resolving moral problems.

For example, Brittan draws attention to two problems facing market economics: the demarcation of the market sector, and the specification of its ground rules or 'background conditions' (pp. 57-8). In theory, however, both problems can be solved in one move: by defining the market sector to include everything, *including* the task of specifying background conditions. To say just what this solution involves in practice is a more difficult task. It is worth noting though that democratic government as we know it is at least weakly analogous to a market process, as public choice theory reminds us. Hume, Sugden and the rest show how the origins of morality fit the same description. The 'anarcho-capitalists' whom Brittan disparages (p. 57), who want to turn the whole lot over to the market, are therefore not proposing something different in principle, only more explicit — and possibly more efficient. The same can be said

about Brittan's discussion of monetary policy: to say that competition in currencies might be the best solution is not to deny Brittan's point that it is fundamentally a moral problem, because moral problems may turn out to have market solutions.

Similar issues arise from the Brittan-Hamlin collection of papers. In his invitation to the participants, Brittan pointed out that 'The key constraints' on economic activity 'are often not just those of limited budgets, or even the physical and institutional environment, but beliefs and moral codes' (p. xi). Several contributors take up this theme: Amartya Sen explains how incomplete development of moral standards can leave a role for Mafia-like organisations, John Fender uses game-theoretic tools to assess the place of altruism in an economic system (and, in passing, the incentive effects of public and private charity), and Alan Hamlin gives an excellent concise summary of the ways in which economics invites moral scrutiny.

Like most such collections, the Brittan-Hamlin volume exhibits diversity as well as unity, and a number of papers, interesting in themselves, are incidental to my main theme. Nigel Lawson, formerly Britain's Chancellor of the Exchequer, gives a thoughtful moral defence of capitalism; Norman Barry launches another attack on 'contemporary American business ethics' — the ethics of the ethicists, that is, not the businesses — and John Broome presents a fascinating short argument about rationing in health care, which, as Hamlin points out, has much wider application.

Spending our Moral Legacy

Perhaps the most revealing thing about these conference participants is the style in which they tackle their various problems. Their approach to morality is unfailingly rational and undogmatic. To the extent that this is representative of modern academic economics, reports of the death of academia must surely be exaggerated. While Himmelfarb and her followers accept large slabs of conventional morality without question, the economists' attitude seems to be: *question everything!*

This also is Brittan's approach. Although I think he may be unduly pessimistic about the fit between our moral standards and the market system, it is clearly not a conservative morality that he thinks we need. He worries that the popular moral notion of a 'just price' impedes economic efficiency (pp. 49-50). He associates the rise of capitalism with 'the torchlight of secular and rationalistic enquiry' (p. 111), and, in a chapter on Hayek, he warns against 'far ranging conservative evolutionism' (p. 115) or 'Burkean conservatism'. The dissidents who helped bring down the Soviet Union are approvingly described as 'constructivist rationalists' (p. 119).

Sometimes Brittan even gives rationalism too much of a free rein. He suggests that textbook writers pay insufficient attention to, for example, the fact that 'The shooting of one's competitors is not an acceptable way of maximising profits or even minimising losses' (p. 58). But this may be one of the things best trusted to unconscious evolution, *à la* Hayek. As Bernard Williams remarks,

One does not feel easy with the man who in the course of a discussion of how to deal with political or business rivals says, 'Of course, we could have them

killed, but we should lay that aside right from the beginning'. It should never have come into his hands to be laid aside. (Williams, 1985:185)

Despite his rationalism, Brittan locates the origins of capitalism in a very different sort of moral environment, whose legacy is now waning:

Society was living on the moral heritage of the feudal system. . . . For a long time capitalist civilisation was able to live on this feudal legacy, and the aura of legitimacy was transferred from the feudal lord to the employer, from the medieval hierarchy of position to that derived from the luck of the market place. (p. 111)

The idea of 'moral capital', which modern society has been living on without replenishing, is a fashionable one among conservatives. It is implicit in Himmelfarb's book, particularly her last chapter. It is therefore very appropriate for Brittan to remind us that our moral traditions, even those that may once have been quite serviceable, are not all sweetness and enlightenment.

The notion of moral capital also reminds us that morality can have effects which are far from immediate: a time lag is involved. As Bertrand Russell (1935:62) pointed out, 'political events very frequently take their colour from the speculations of an earlier time: there is usually a considerable interval between the promulgation of a theory and its practical efficacy'. But if we take this idea seriously, then the achievements of Victorian morality look even less impressive. Might it not be argued that the relatively libertarian morality³ of the 18th century led to the economic miracle of mid-19th-century Britain, while the authoritarian morality of the Victorian era paved the way for the carnage of World War I and the killing fields of the mid-20th century?

There is a great deal else to recommend in Brittan's book. His review of the Thatcher Government's economic record in chapter ten is the most sensible I have ever read. He also has very sensible things to say about trade 'deficits' (chapter eight), exchange rates (chapter nine), and the relationship between wage levels and unemployment (chapter eleven, but also in other places, such as pp. 48-9). And there are many other gems scattered throughout; for example, he is the first writer I have seen draw attention to the fact that calls for government to be 'pro-business' are analogous to calls for business to assume more social responsibilities, and are dangerous for the same reason (p. 46).

Brittan's tone throughout is clear but not confrontational. He has firm opinions on most of the subjects he writes about, but he never pretends to have the last word, and he does an excellent job of making economic details accessible to the general reader. Even where one disagrees with his specific views, there is no room for doubt about his liberal credentials. In today's confused intellectual climate, where even

³ Himmelfarb describes Victorian Britain as attaining 'a degree of civility and humaneness that was the envy of the rest of the world' (p. 18). But *18th-century* Britain was already the envy of the world, at least among civilised opinion: look at Montesquieu and Voltaire.

Himmelfarb tries to claim the mantle of liberalism,⁴ Brittan is the genuine article. The following reproach is typical; readers in Victoria will not need to have the parallel spelled out: 'The extreme activism of even a Thatcherite Conservative administration, ever eager to promote British exports by hook or by crook, and to intervene ad hoc in local government, was far removed from the ideal of a civil association which leaves its members to carry on their own affairs' (p. 123).

Poverty and Welfare

I have stressed Brittan's liberalism because some readers may question it when they come to his thoughts on the relief of poverty. Brittan is a supporter of the welfare state. As he puts it in the title of chapter 12, 'Redistribution: Yes. Equality: No'. Indeed, he argues that supporters of smaller government, by focusing on welfare spending, have let more important targets escape:

By placing too many hopes on reforming the welfare state, free market radicals are letting the interventionists get away with too much perverse interference in what used to be the heartlands of the market economy: trade, industry, agriculture. Even after the experience of the 1980s, in which many governments have professed devotion to competition, we have a full enough agenda in these areas without entering the much more complex emotive area of privatising the welfare state. (p. 276)

Newt Gingrich, please call your office!

None of this means that Brittan is happy with the welfare system as it now exists. He proposes reforms along the lines of what he calls a 'basic income', similar to the 'negative income tax' once popularised by Milton Friedman (1962:190-5). The central idea is that all welfare payments should be needs-based, on a uniform scale, and provided in cash rather than services. Brittan's discussion of this topic repays careful reading. Although he regards the full basic income scheme as presently outside the bounds of political possibility, he has a number of suggestions for its piecemeal implementation. While the British system differs in detail from that of Australia or New Zealand, the fundamental issues are common throughout the western world.

The 'basic income' plan arouses conflicting emotions in many people (including me). On the one hand, transfer payments which ignore criteria of need — a category which still includes most government spending in Australia — are morally problematic. On the other, a uniform scheme which treats all poverty as equally 'deserving', regardless of its cause, seems to conflict with other established and useful moral intuitions.

The harmful incentives created by some welfare schemes are now pretty generally recognised, but there is scope for a good deal more work in this area. It would be

⁴ In a recent essay she professes 'a libertarian conservatism that regards itself as the true heir of classical liberalism' (Himmelfarb, 1994:75).

interesting to see someone like Brittan undertake an assessment of the utility of a moral attitude like the 'stigma' traditionally attached to welfare dependency. Could it be seen as a naturally emerging convention which plays a part in reducing poverty, or as a hangover from traditional morality which inhibits clear thinking about our problems?⁵

For conservatives like Himmelfarb, this is all peripheral. To them, the welfare state is not an economic issue but a moral evil. The message to emerge from Brittan, however, is that the problems of poverty and the pathology of the underclass⁶ are largely the result of bad policy, not of moral weakness. Some of the policy failings are of long standing; in America they start with the slave trade, which still casts a long shadow over race relations. Of more recent origin is the disastrous policy of drug prohibition, a uniquely effective catalyst for poverty and crime. (One of the Victorians' virtues that Himmelfarb neglects was their tolerant attitude towards drugs. Those were the days when there was real coke in Coca-Cola!)

Dealing with the consequences of policy mistakes of the past is a difficult problem. In trying to work out 'how to get there from here', we face many pitfalls that would not exist if we were starting from scratch. But it is not primarily a moral problem, and we will hamper the search for solutions if we follow Himmelfarb and treat it as one.

References

- Axelrod, R. (1984), *The Evolution of Co-operation*, Basic Books, New York.
- Brittan, S (1973), *Capitalism and the Permissive Society*, Macmillan, London; republished (1988) as *A Restatement of Economic Liberalism*.
- Clifford, W. (1879), 'The Ethics of Belief', in his *Lectures and Essays*, vol. 2, London.
- Friedman, D. (1989), *The Machinery of Freedom*, 2nd. ed., Open Court, La Salle, Ill.
- Friedman, M. (1962), *Capitalism and Freedom*, University of Chicago Press, Chicago.
- Himmelfarb, G. (1974), *On Liberty and Liberalism: The Case of John Stuart Mill*, Knopf, New York.
- (1994), *On Looking into the Abyss*, Knopf, New York.
- Nietzsche, F. (1887), *On the Genealogy of Morals*, translated (in one volume with *Ecce Homo*) by W. Kaufmann & R. Hollingdale, Random House, New York, 1967.
- Russell, B. (1935), 'The Ancestry of Fascism', in his *In Praise of Idleness and other essays*, Allen & Unwin, London.
- Sugden, R. (1986), *The Economics of Rights, Co-operation and Welfare*, Basil Blackwell, Oxford.
- Williams, B. (1985), *Ethics and the Limits of Philosophy*, Fontana, London.

⁵ I am grateful to Michael James for this suggestion.

⁶ Himmelfarb condemns the term 'underclass' as an anachronism when applied to the Victorian era (pp. 13-14), but in fact the reverse seems to be the case: it is more informative in relation to Victorian Britain than to modern Britain or Australia.