

- LAUNCH SPEECH -

**PROSPERITY FOR ALL: RESTORING FAITH IN CAPITALISM**

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**OUR OPINION POLLING SHOWS THAT CAPITALISM IS UNLOVED**

Undeservedly, as Deidre McLoskey has noted:

*"The rich became richer, true. But millions more have gas heating, cars, smallpox vaccinations, indoor plumbing, cheap travel, rights for women, lower child mortality, adequate nutrition, taller bodies, doubled life expectancy, schooling for their kids, newspapers, a vote, a shot at university and respect."*

Capitalism's achievements are unknown by the people who have benefited from it.

Capitalism – which oversees a \$600bn advertising budget – selling soap powder, new gadgets, new cars – cannot sell itself.

**THE WEAKNESS IS IN THE INVISIBLE HAND**

We struggle to love a system that delivers progress by accident – not by design but by the invisible hand – by the butcher, brewer, baker, banker, computer programmer, beautician, fashion designer, premiership footballer, Times columnist - providing for our needs not from benevolence but from their regard to their own interest.

How can it be, to quote John Maynard Keynes, “that the nastiest motives of the nastiest men somehow or other work for the best results in the best of all possible worlds”? That “nastiness” consisting of – among other things – speculation, massive indebtedness and raw greed. So what is the answer to the question: Will people ever love a system built entirely on self-interest? No. They never will. Something more is required.

### **BUSINESSES NEED TO BE MORE THAN PROFIT-MAXIMISERS**

The challenge we need to meet was set out by the founder and CEO of the Whole Foods supermarket chain. John Mackey warned that if the public comes to think businesses are “basically a bunch of psychopaths running around trying to line their own pockets”, then the system is in trouble. If the public doesn’t think business is fundamentally good, he continued, and can’t be trusted to do the right thing business is inviting large-scale and destructive regulation. If, in contrast business exercises responsibilities to all its stakeholders - customers, employees, investors, suppliers, and the larger community – “the impulse to regulate and control would be lessened.”

### **AND THE GOVERNMENTS THAT SUPPORT FREE MARKETS CANNOT DEFEND EVERYTHING THAT FREE MARKETS PRODUCE**

To quote Keynes again: “Devotees of capitalism are often unduly conservative, and reject reforms in its technique, which might really strengthen and preserve it, for fear that they may prove to be first steps away from capitalism itself.”

There are too many apologists within capitalism and within capitalist-friendly parties who will defend anything and everything that is done in the name of economic freedom:

- massive corporate donations to political parties;
- Boardroom pay that bears little relationship to underlying performance or international yardsticks;
- The idea that firms have no responsibilities to a domestic country's workforce – only a self-interested interest in large-scale economic immigration;
- That any kind of sky high interest rate charged by a pay day loan company is ok.

## WHAT IS CAPITALISM?

It was not how our enemies describe it!

In his new book, *Postcapitalism*, the Marxist writer Paul Mason describes “neoliberalism” – the chattering class's vogue term of abuse - as a belief in “uncontrolled markets”; a belief that “the state should be small (except for its riot squad and secret police)”; “that the natural state of humankind is to be a bunch of ruthless individuals, competing with each other.” I challenged Mr Mason on Twitter to identify one single, senior pro-capitalist politician in power, in the world today who fits his ideological description. Normally ever so engaging he didn't reply to my challenge.

Unlike Mason, capitalism's defenders don't have their heads buried in the thinking of dead, Marxist economists. They're pragmatists. George Osborne, for example, has halved the speed of his deficit reduction policies and introduced a living wage. He's cutting police (and riot squad) budgets so he can

expand the British Health Service. He's cutting welfare so he can increase infrastructure spending. And, in another sign that business isn't trusted by George Osborne or the Thatcherite Sajid Javid to always do the right thing, the introduction of an apprenticeship levy to compensate for British business' decades-long failure to invest in vocational education.

Capitalism is – as Michael Novak has described it – a great blend of free markets, democratic and legal regulation, and social and cultural values. Capitalism goes wrong when any of those spheres are too strong or too weak:

- When businesses become too powerful they often corrupt the political sphere. They may avoid paying their fair share of tax and they construct restrictive practices – such as predatory pricing – that prevent full and fair competition.
- When an unfocused or under-resourced government cannot provide basic social services or public infrastructure.
- When family structures are weak and children are poorly educated, elderly citizens are neglected and there is less voluntary redistribution.

## **NOT JUST A REPORT ABOUT THE FREE MARKET: IT'S A REPORT ABOUT EACH OF THE THREE SECTORS OF DEMOCRATIC CAPITALISM BEING STRONG**

LET ME TAKE EACH ONE BRIEFLY IN TURN...

## **TOWARDS REAL FREE MARKETS**

Another opinion poll found that the “free market” beats capitalism by 69% to 55% in public esteem. Only 21% had an unfavourable view of the free market. Nearly twice as many – 38% - had an unfavourable view of capitalism.

The Reason-Rupe poll shouldn’t just prompt a shift of language. It should prompt a deeper shift of thinking. Away from capitalism and the idea of large businesses, big bank balances and politically well-connected tycoons and towards a free market of competitive, dynamic and customer-orientated businesses.

- The policies the paper proposes to deliver this include patent reform; restriction of political donations; super-majorities to authorise CEO pay settlements; and free trade deals to go to the heart of international summitry.

## **TOWARDS A FUTURE-ORIENTATED STATE**

If we designed a state from first principles it would not look like the states that most western societies have. Large welfare commitments to the middle classes, centralised systems of public sector pay, and legacy forms of regulation that favour big business.

- The policies the paper proposes to deliver this include mandatory voting to stop us becoming a gerontocracy, a 21<sup>st</sup> century Domesday Book to list and then manage all state assets as commercial assets, higher capital ratios for larger banks to address the too-big-to-fail problem.

## TOWARDS VIBRANT SOCIAL INSTITUTIONS

To go back to the vision that Oliver Letwin set out before the crash.

Oliver Letwin – then and now one of David Cameron’s most influential advisers – noted how “before Marx, politics was multi-dimensional: constitutional, social, environmental as well as economic.” That is certainly how Adam Smith wrote. He was not the number-crunching econometrician of today’s economics profession.

“After Marx,” continued Letwin, “socialists defended socialism and free marketeers defended capitalism. For both sides, the centrepiece of the debate was the system of economic management.” Now, however, that the free market had triumphed “from Beijing to Brussels... the mission of the modern Conservative Party... is to bring about Britain’s social revival: to improve the quality of life for everyone in our country, increasing our well-being, not just our wealth.” In this new era, he continued, “irresponsible parents” rather than “irresponsible unions” were the cause of weakness. Britain was no longer the sick “man” of Europe but social breakdown made it the continent’s sick “family” – characterised by high levels of social atrophy. Social rather than economic decline was the new challenge. The speech was incredibly badly-timed. Weeks after Letwin delivered it, in May 2007, the housing crisis that would threaten to bring down the financial system was already rearing its ugly head. “Economic decline” was very much at the top of the agenda again.

Fundamentally, however, Letwin was right. The weakness of social structures needed to move to centre stage in politics. Family breakdown, in particular, is a cause of unemployment, educational failure, personal unhappiness and of growing demands on the public purse. The strength of family and

community in southern European states explains why the economic hardship inflicted by the Eurozone and counter-productive employment legislation has not produced the social misery that would have occurred in more atomised societies.

The truth is strong free market economies need to be underpinned by strong social networks. Pope Francis correctly described the family as “the nearest hospital, the first school for the young and the best home for the elderly”. In debating what kind of statistics we collect, we need to measure our social as well as our economic well-being. So long as social indicators are absent from the national dashboard, we shouldn’t be surprised if politicians drive policy in wrong directions.

- The policies the paper proposes to deliver this include new measures of social growth; housebuilding to help families; greater philanthropy.

## CONCLUSION

The rest of the world also worries that America might be on the wrong track. The banking shocks of 2008 didn’t just hurt America’s economic standing but too many nations and people now wonder if America and the “American way” are the future. Few have been more explicit about this than the “illiberal” Hungarian prime minister Viktor Orbán (to use his own self-description). [Speaking last year](#), Mr Orbán declared that “the most popular topic in thinking today is trying to understand how systems that are not Western, not liberal, not liberal democracies and perhaps not even democracies, can nevertheless make their nations successful.” “The stars,” he continued, “of the international analysts today are Singapore, China,

India, Russia and Turkey.” His arguments are questionable. His lists of “stars” is very questionable – while Singapore still shines brightly the others are fading fast. But with so much dysfunctionality – even gridlock - on Capitol Hill, racial tension, after three disappointing presidencies over one quarter of a century, and with so much gloom from the American people it is at least understandable that Orbán – a man who kills pigs with his own hands and turns them into sausages – is increasingly willing to turn away from the American model and to get down and dirty with the likes of Russia, China and Saudi Arabia. Many in Latin America, Africa and Asia think the same as Budapest – reorientating their policies away from Washington and its worldview. Two years ago, in a moment of candour and perhaps foolishness, even Justin Trudeau, Canada’s new prime minister, identified China as the country he most admired. "There's a level of admiration I actually have for China," he [said](#), "their basic dictatorship is actually allowing them to turn their economy around on a dime."

We shouldn’t exaggerate America’s problems, of course. It remains the world’s richest and most innovative nation. It remains the nation described by the poet Emma Lazarus in *The New Colossus*. Her words are engraved on the lower pedestal of the Statue of Liberty:

*“Give me your tired, your poor,  
Your huddled masses yearning to breathe free,  
The wretched refuse of your teeming shore.  
Send these, the homeless, tempest-tossed, to me:  
I lift my lamp beside the golden door.”*



For all of capitalism's troubles people are still yearning to live in the United States of America. More people are trying to leave Mexico for America than are trying to leave any other country in the world for any other. The flows from China, India and the Philippines to America are all enormous. People are also queuing up to get into Australia, Britain, Canada, Germany and, for example, New Zealand. For all of the many weaknesses in the western model of capitalism it is still a magnet for those seeking freedom, prosperity and security - for those yearning to breathe free. But millions are also migrating to the fast-growing Middle Eastern nations. Competition for talented migrants as well as for supremacy in modelling economic development and political governance is intense. History hasn't ended. Liberal democracy hasn't triumphed. Reforming our model of democratic capitalism so that it delivers prosperity for all matters and it matters in more ways than one.