

**1970-81**

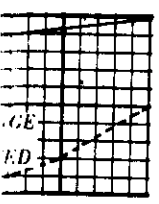
% RISE IN UNIT  
ABOVE COST

LOCAL IN  
CURRENCY \$U.S.

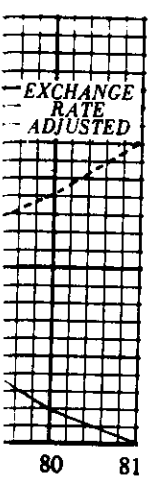
201	213
127	131
73	180
58	159
279	129
83	83

2408	134
407	203
352	110
17	-7
577	479
331	184

**ALIA AND**



**EXCHANGE RATE ADJUSTED**



**“THE NEO-CONSERVATIVES”**

Extracts from a talk given by Mr. Norman Podhoretz  
to an audience of businessmen, academics and  
journalists arranged by the Institute of Public Affairs

Norman Podhoretz is the Editor-in-Chief of the influential American journal, Commentary, a position he has held since 1960. He is the author of a number of books and has also contributed articles and reviews to most of the major periodicals in the United States, including the New York Times, the New Yorker, and the Washington Post. As a forceful, articulate spokesman for capitalism and conservative philosophies, Mr. Podhoretz has achieved wide prominence not only in the United States but in other countries in the Western world.

★ ★ ★

The phenomenon I'm referring to is the rise, mainly in the United States but also in some other countries, notably Britain and France, of a new group of intellectuals who have begun to make a very strong, indeed aggressive, case on behalf of the "capitalist system". Incidentally the very use of the term "capitalism" is itself a notable development, because for a very long time, capitalism was the economic system that dared not speak its name. So rough a treatment had the word itself been given in the polemics of the past century that even people who practice capitalism and those who wish to preach it were forced to find circumlocutions — euphemisms such as "free enterprise", "the free market", "the market system". The willingness, indeed the eagerness, of the group of intellectuals I'm talking about to use the word "capitalism" is itself a symptom of their refusal to continue being on the defensive in the discussion of the

capitalist system and its relation to its various competitors both past, present and in the putative future. The tone of these people in the defence of capitalism is anything but defensive, and this in itself is new.

★ ★ ★

You have an anomalous situation in which people who participate in, run, profit from an economic system, are frequently unable to find a good word to say for it themselves, don't really understand in what sense it is legitimate and socially valuable, and are constantly prey to doubts and demoralisation that arises from such inner doubts, and this itself, it seems to me, helps to weaken not only the economic system but the social and institutional fabric of the societies that all of us live in. So that hope would be that a new attitude arising out of the intellectual community — a new attitude toward capitalism, toward the society generally — if it were to prevail in the

---

world of ideas, might in turn have as one of its consequential effects a "re-moralisation" if you like, of the community of people, practical people such as yourselves whom we rely upon to keep the system going and to make it productive of wealth, a wealth in which we all to some degree share and on which of course we all depend.

★ ★ ★

The history of this change began with a growing disillusion with the performance of socialist systems, and it was out of this growing disillusion with the major alternative to capitalism that capitalism itself began to appear in a different and rather more benevolent light to the eyes of the intellectuals I'm talking about. The consequences of the socialistic experiment, I think, are pretty well in, and they are not as advertised, and it's out of that disillusioning experience that the re-examination of capitalism began. Now this re-examination proceeding over a number of years and a lot of thought, and a lot of research, has eventually generated a series of propositions, propositions that run directly counter to the propositions making up the traditional attitude.

Let me describe that new attitude for you in terms of these three large propositions.

The first, which has to do not with economics but with politics, was the proposition that capitalism, that is a high degree of free economic enterprise — it needn't be absolute — a high degree of reliance on the market within a given

society, has been historically a necessary, if not a sufficient, condition of the existence of political freedom. This is to many socialist minds, a startling, heretical and blasphemous proposition. Nevertheless, I believe, and the people whose work I am summarising here believe, and have argued very strongly, that the historical evidence supports it — supports it perfectly — in several ways. One can say that economic freedom is itself a form of freedom quite apart from any consequences it may have for political freedom, and to anyone who values freedom as such obviously this form of freedom must be valued.

★ ★ ★

The second reason that it is to be valued is that economic freedom imposes, by its very existence, a limit on State power. To the extent that the State is prevented from controlling any sector of our lives, to that extent it has less power over our lives. Therefore, if this particular sector like any other sector — religion, the arts, whatever — is free of the control of the State, then the degree of individual freedom is increased.

What's more important in a time when all over the world everyone is worried about the growing centralisation of State power, and the quickening growth of State power even in the freest of our societies, this, in itself, seems to be more important to more and more people. Anything that limits the encroaching State begins to seem very valuable, and not to be lightly dismissed. There was a time

by a necessary, definition of the term. This is to bring, heretical proposition. And the people parading here very strongly, supports it — several ways. Freedom is kept apart from what we have for anyone who obviously this used.

to be valued is poses, by its the power. To prevented from lives, to that er our lives. sector like n, the arts, ontrol of the individual

a time when is worried ion of State growth of best of our to be more ore people. ching State and not to was a time

when central State power seemed too weak and a lot of people wanted to strengthen it. Very few people anywhere in the world today would say that the governments they live under are too weak. I don't care what their political persuasions might be and I don't care where they live, almost everyone believes that everywhere in the world there's too much State power. So any institution that sets a limit to that State power is valuable so far as the preservation of individual freedom is concerned.

★ ★ ★

In addition to those theoretical propositions, which I think are very forceful and very difficult to refute, we have a record of performance now to examine, and what we find on the whole is that no society that we know of in which the State controls economic activity to any considerable degree also offers room for political liberty. In other words, political liberty itself is incompatible with complete, or almost complete, State control over economic activity. There are societies in which economic activity is free and in which political liberty does not exist, or does not exist except in a very small degree. We all know such societies — South Korea, Taiwan, to a much lesser extent I would say Singapore — but we know of no societies in which the converse is true. In other words, there are no societies in which there is no economic liberty and in which there is political liberty.

To those of you who are wondering

how I fit the social democratic countries of Western Europe into this scheme, it is very simple. Those that are, in fact, blessed with political liberty, have left the market, on the whole, pretty free to produce the wealth which the socialist governments then wish to distribute. Some of them are now beginning to worry about the effects of such State mechanisms of distribution on the capacity of the society to produce the wealth that is needed in order to distribute it. Sweden is the classic case. You have there, in effect, the free market to produce the wealth and then government takes a lot of it and distributes it. But Sweden has relied basically on free enterprise — on capitalism I should say, in line with the new fashion — to produce the wealth.

The second point, to which I have already alluded, is that capitalism is a necessary and a sufficient condition of the production of wealth. That is to say, the argument between socialism and capitalism that used to rage twenty or thirty years ago, among economists and among ideologues as to which of the two systems was better for producing wealth, is now over. There's scarcely an economist left on the face of the earth, outside the Soviet Union, who would now argue that strictly from the point of view of producing wealth — forgetting what happens to it when it's produced — State control of the economy is a superior instrument to the free market. There are still arguments everywhere as to what you

do with the wealth after it's produced and whether those who produced it are entitled to as large a share of it as they may think, or whether the State ought to confiscate some of it and give it to the poor. But that's a separate issue. On the issue of production, capitalism is now almost universally agreed, and certainly by the new defenders of capitalism, to be a necessary and a sufficient condition of wealth.

★ ★ ★

The third point which bears on the issue of distribution: these new defenders of capitalism have said that even on the issue of distribution, even on the question of equality, if you want to put it in abstract philosophical terms, the capitalist system has done better than the socialist systems because there has proved to be a better chance under capitalism than under any known alternative for a widespread sharing of the wealth that the system has produced. So that the case is that even as concerns the political value of equality — which is not the prime value of the liberal capitalist tradition — liberal capitalist tradition exalts liberty as its prime value; equality is the prime value of the socialist tradition — even in realising that value, the capitalist systems have a better record. But the people I'm talking about — the new defenders of capitalism — when they say that capitalism has a better record in the establishment of equality are not talking about the abolition of inequality. They are not talking about a world in which as far as humanly possible,

discrepancies of wealth would be eliminated. This is not their vision of a good society. What they are talking about is the improvement of life at the bottom in such societies, the raising of the bottom, the progressive raising of the bottom through the establishment not of equality of result, but of equality of opportunity.

Equality of opportunity is an essential element of any healthy capitalist system. Obviously individuals differ in capability, talent, energy, luck, but as far as possible you try to make the rules of the competition fair at the outset, because this draws on initiative and energy within the society which would otherwise be lost. But, at the same time, if you have a race based on equality of opportunity, it will be a race, there will be competition, and someone will win and someone will lose. Someone will do better than someone else. This is not only **not** to be regarded as unjust, or inequitable, or immoral, but, on the contrary, as perfectly consistent with the rules of justice and fairness within the terms of such a system. As a matter of fact, not only is it morally defensible — that is inequality of result — it also is structurally, as you might say, necessary, because without the incentive of winning you also deprive the system of energy and initiative. You need the energy and initiative that you get from giving everyone a chance to compete. But you equally need the energy and initiative you get from giving everyone a chance to win. It doesn't mean that the losers have to be

would be  
vision of a  
talking about  
the bottom in  
of the bottom,  
the bottom  
not of equality  
opportunity.

is an essential  
capitalist system.  
in capability,  
far as possible  
rules of the  
outset, because  
energy within  
otherwise be lost.  
You have a race  
chance, it will  
competition, and  
someone will lose.  
than someone  
be regarded as  
immoral, but,  
totally consistent  
and fairness  
system. As a  
is it morally  
ity of result —  
You might say,  
the incentive  
the system of  
used the energy  
from giving  
pete. But you  
initiative you  
chance to win.  
ers have to be

penalised. It doesn't mean that you can't  
have what Ronald Reagan has come to  
call a safety net in which the penalties for  
failure are softened and in which even  
those at the bottom are able to live at  
some minimum decent level.

★ ★ ★

The one qualification that the new  
defenders of capitalism — or some of  
them anyway — have made, because their  
enthusiasm for capitalism, while very  
great, in the terms that I have just  
outlined, is qualified by one large  
reservation and that has to do with the  
spiritual dimension of the question. Irving  
Kristol wrote a book very well known in  
the United States called "Two Cheers for  
Capitalism", obviously meaning to  
withhold the third. It's a title that was  
modelled after an essay by E.M. Forster  
called "Two Cheers for Democracy".  
"Two Cheers for Capitalism"! Well, why  
not three? Why indeed not three? The  
reason, Kristol says, is that the one  
essential element missing from the  
capitalist system and the capitalist  
societies is that they fail to provide what  
you might call a "transcendental"  
dimension to life. People looking for  
something more than bettering one's  
condition — one's material circumstances  
— are invariably disappointed by the way  
of life proposed through the capitalist  
system. When they are young or even  
when they get to be a certain age, some  
people begin to feel that there must be  
more to life than this. I wouldn't be  
surprised if one or two people in this

room might have had a twinge or two of  
that experience, and there's no question  
that this is true. Now I, myself, regard  
this not as a deficiency but as a virtue,  
because I think any social system — any  
economic system — that pretends to offer  
the answer to the ultimate questions, what  
you might call the religious questions,  
becomes very dangerous. The fact that we  
are not required to worship capitalism is  
itself, I think, a protection against the  
possibility of tyranny in society.

★ ★ ★

Let me quickly give you — I've given  
you the good news — the bad news. This  
is that the new defenders of capitalism  
remain a minority within the intellectual  
community and their attitudes are by no  
means sweeping the world of ideas. On  
the other hand it is a very dynamic  
minority. It has elan, it has energy, it has  
dynamism, it has a sense of freshness in  
its writings which are conspicuously  
lacking in the writings of some of its rivals  
and opponents, some of whom I think  
literally fall asleep at their own  
typewriters as they are typing the same  
idea for the ten-thousandth time. There's  
something new being experienced in the  
work of the new defenders of capitalism,  
and, in the articulation of that new  
experience. There's a good deal of  
excitement which, as much as anything  
else, accounts for the disproportionate  
influence they have been exerting despite  
the relatively small numbers they  
represent. But this is the kind of battle  
that is not won by numbers. Numbers are

---

not the decisive element in wars of ideas. The decisive element is persuasiveness, plausibility, fidelity to experience and the facts, determination to speak the truth as one sees it in the light of the world around one.

✱ By those criteria, I think the new defenders of capitalism stand a very good chance of prevailing ultimately within the world of ideas, and since I believe that the survival of capitalism is intimately connected with the survival of the entire liberal democratic order of which it is a constituent, it seems to me that the success of the new defenders and their ideas can only serve as a contribution to

the larger struggle that we all face to maintain and preserve the socio-political values. This is a system that is under assault from without, menaced by the missiles of Soviet power. It is also a system that is under threat from within, menaced by a sense of demoralisation and flagging energy. We in this generation are charged with the responsibility, as no generation before us has been, to make certain that the heritage of free societies, including free economic activity, is preserved and passed on to our children and grandchildren, and their children and grandchildren, to future generations. In my judgment, if we fail in that responsibility, we will be cursed by our posterity and we will deserve their curses. J

# IPA REVIEW

**January—March 1982. Vol.36 No.1**

Registered by Australia Post — Publication No. VBG 1536

---

**1. More Realism, Less Theory**

---

**10. Now is the Hour for  
Tax Reductions**

---

**14. Comparative Labour Costs**

---

**21. ‘The Neo-Conservatives’**

---

**Insert I.P.A. Booklet — ‘What Kind  
of a People Are We?’**

---