

EMBARGOED UNTIL 4.00 PM SATURDAY 6 MARCH 2004

ACT NEW ZEALAND 10TH ANNUAL CONFERENCE

---

*A CONFLICT OF VISIONS*

---

R L KERR  
EXECUTIVE DIRECTOR  
NEW ZEALAND BUSINESS ROUNDTABLE

CHRISTCHURCH  
6 MARCH 2004

## ***A CONFLICT OF VISIONS***

It is remarkable that the collapse of communism over a decade ago has not been followed by any great surge of enthusiasm among Western intellectuals for economic freedom. In reality, economic freedom has made great gains, in the West, in the ex-communist countries, and in the developing world, and its spread is paying off in terms of growth and poverty reduction. It is well established that countries that are more open to trade and capital flows typically grow faster than those that are closed. On average, world incomes are growing and also becoming less unequal. And if poverty is defined as a per capita income of US \$2 dollars a day or less, the share of the world's population that is in poverty fell from 56 percent in 1980 to 23 percent in 2000.<sup>1</sup>

Yet these facts tend – to borrow George Orwell's vivid phrase – to “bounce off the consciousness” of the anti-capitalist movement, which continues to insist that globalisation is just a racket that exposes the world to exploitation by multinational corporations. Economic freedom is now subjected to a renewed moral critique revolving around issues like the environment and 'corporate social responsibility', and giving rise to fashions like the one for 'ethical investment'. Is there any level of success that economic freedom could achieve that might persuade its opponents to call it a day and accept that competition and private property have something going for them?

One suspects not, but why is this so? In my view, the best answer to this question has been given by Thomas Sowell, in particular in his book *A Conflict of Visions: Ideological Origins of Political Struggles*, which was first published in 1987. An Afro-American and Senior Fellow at the Hoover Institution at Stanford University, California, Sowell visited New Zealand as a guest of the New Zealand Business Roundtable in 1996 to give that year's Sir Ronald Trotter Lecture.

---

<sup>1</sup> 'Liberty's great advance', *The Economist*, 26 July 2003.

*A Conflict of Visions* opens with the observation that very often in political debate, "the same people line up on opposite sides of different issues". Sowell goes on:

The issues themselves may have no intrinsic connection with each other. They may range from military spending to drug laws to monetary policy to education. Yet the same familiar faces can be found glaring at each other from opposite sides of the political fence, again and again. It happens too often to be a coincidence and it is too uncontrolled to be a plot. A closer look at the arguments on both sides often shows that they are reasoning from fundamentally different premises. These different premises – often implicit – are what provide the consistency behind the repeated opposition of individuals and groups on numerous, unrelated issues. They have different visions of how the world works.<sup>2</sup>

Sowell articulates the different visions that govern how a good number of people think about political issues. He suggests there are two such visions: the *constrained* and the *unconstrained*. In the book itself, Sowell scrupulously avoids taking sides between the two. We know, however, from his other work that he espouses the constrained vision. In my summary, I will also try to be fair to the unconstrained vision but I will not try to hide my preference for the constrained vision as a basis for public policy. We shall see later how the two visions manifest themselves in policy debates ranging from welfare to education to justice.

To foreshadow the argument, we can note that major episodes in history were motivated by the different visions Sowell identifies. The constitution of the United States was inspired by the constrained vision. As Madison wrote, "If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary." But the founders understood that human beings are capable of good and evil, trust and opportunism, and sought to devise an elaborate set of constitutional checks and balances on governmental power.

By contrast, the French Revolution gave sweeping powers to those who spoke in the name of "the people", and the "will of the people" was seen to

---

<sup>2</sup> Thomas Sowell, *A Conflict of Visions: Ideological Origins of Political Struggles*, Basic Books, 2002, p 3.

be infallible. As one writer of the time put it, the French Revolution was superior to the American Revolution because “the principles from which the constitution and laws of France were derived were purer”, and allowed “the people to exercise their sovereign right” without constraint. Like so many utopian projects, the French Revolution ended in the guillotine and the Terror. In the same way, efforts to create a ‘new Soviet man’ ended in the gulags, and communism in Mao’s China, including the Cultural Revolution to ‘re-educate’ so-called intellectuals, led to 65 million deaths. The grandiose collectivist dreams of the twentieth century all turned into nightmares.

Sowell’s achievement in *A Conflict of Visions* is to explain these insights from historical experience in a systematic manner. In the passage I quoted, Sowell says that the fundamental premises that people argue from are “often implicit”. Indeed, they are often so deep that we are barely conscious of them. They are not so much assumptions that we can question but intuitions that get our thinking going; they are what we build our assumptions on. What then are they, and how do they fall into the two broad groups, the constrained and the unconstrained?

Sowell’s ‘visions’ are basically views about two things: human nature and social knowledge.

To take human nature first: the constrained vision has a sober and unsentimental view about it. It holds that human nature is essentially fixed – people are as we find them, exhibiting a mixture of motives, some social and some anti-social. Thus, if it is to succeed, public policy has to run with the grain of human nature as we know it and to avoid assuming that it will change in such a way as to help policy to succeed. This means that, in order to improve society, we must focus on *institutions* and try to understand the *incentives* people have to behave in social or anti-social ways.

The unconstrained vision, by contrast, is optimistic about improving human nature. It sees people as naturally social and perfectible. Public policy is

therefore not a matter of incentives but of freeing people to realise their natural, and naturally good, selves and educating them to conform to a new order.

Sowell several times cites two well-known philosophers to summarise the two visions of human nature. Thomas Hobbes in the seventeenth century famously described the uncivilised and ungoverned society as "a war of all against all" in which life is "solitary, poor, nasty, brutish, and short". Jean-Jacques Rousseau in the eighteenth century began his *Social Contract* with the ringing claim that "Man is born free and everywhere he is in chains". For Hobbes, our problems stem from our natures, which we need society to constrain. For Rousseau, our problems stem from society, which typically deforms our nature. It's hard to imagine two more contrasting visions, both in what they assert and in their implications for public policy.

As for social knowledge, the constrained vision sees this as widely distributed throughout society and mostly embodied in established practices and institutions. Human reason is a source of knowledge, but typically of specialised subjects, like medicine, not of society as a whole. It follows that public policy should respect and rely on proven institutions and social processes, and avoid policy blueprints inspired by purely theoretical schemes for social improvement.

The unconstrained vision, meanwhile, views established institutions as the likely source of oppression and social problems, and therefore as subject to rational criticism and fair game for radical treatment. Under this vision, social knowledge can and should be concentrated, like medical knowledge, among trained specialists like central planners, and these specialists should have a decisive influence on framing public policy. Here we have what are generally known as 'intellectuals', with their deep faith in unaided human reason, and the intellectual origins of the great expansion of government in the twentieth century, when social engineering on a vast scale got under way using the state as its instrument. We saw the unconstrained vision in bright relief last year in the prime minister's

memorable statement, “The government’s role is whatever the government defines it to be.”

Given its stress on the limitations of human nature and human knowledge, the constrained vision has a modest view of progress: improvement is possible but public policy is always liable to have unintended and unforeseen consequences. Change brings costs as well as benefits, and improvements often entail trade-offs. Advocates of the unconstrained vision are usually convinced that a great leap of progress is within our grasp if only the elite could gather enough sound information about society and its problems and generate the political will to take radical enough action to modernise our institutions. No one talks today about the 'perfectibility' of humankind, but Sowell traces the unconstrained vision to the eighteenth century Enlightenment, when advances in the natural sciences inspired a generation of intellectuals to believe that similar advances could be made in social science, which would become an infallible guide to indefinite progress.

There is also a clash between the two visions on the issue of *motivation* versus *conduct*. Sowell observes that each vision has its characteristic virtues. The constrained vision, which emphasises processes like markets and the rule of law, values personal characteristics that help those processes to work, like thrift, diligence and fidelity. The unconstrained vision, meanwhile, with its strong emphasis on results, values characteristics that are needed to get results, like commitment and sincerity.

Put very simply, the unconstrained vision has it that good results flow from good intentions, and indeed *only* from good intentions. This is, of course, the exact opposite of Adam Smith's claim that self-regarding people can be led by an 'invisible hand' to do things in the public interest that they did not intend, and that people who intend to do good often fail to do so. But Sowell's book helped me appreciate that many people simply cannot make any sense of Adam Smith's insight. At the very least, however good the results look, they cannot really be so if they spring from unworthy motives.

The anti-capitalist movement, I believe, thrives on this connection. All the economic growth, even all the equality, produced by capitalism is to be set aside because the profit motive is, at its most fundamental, seen as immoral. That is presumably why the humdrum virtues that make the profit motive work – observing the terms of contracts, reliably turning up to work on time, putting in an honest day's work – are so much less admired among the 'progressive' intellectual class than the much-proclaimed virtues of compassion, caring, and commitment, regardless of whether these have the desired effects.

Sowell illuminates the contrasting visions by showing how they underlie debates involving such commonplace ideas as power, freedom, equality, and justice. He shows that such debate seems rarely to get anywhere because each of these ideas is conceived so differently by each vision. Rather than trying to summarise the themes here, I will try to demonstrate the usefulness of Sowell's analysis by showing how they relate to some actual public debates.

An illustration of the clash between processes and results emerges very clearly in debates on policy to help the disadvantaged. People who operate under the constrained vision stress equality before the law: a process that eliminates formal barriers to advancement and allows everyone to compete so that disadvantaged people have their qualities valued fairly in the marketplace and society, and benefit accordingly. Further, those who see the world in terms of the constrained vision are aware that in competitive markets the profit motive rewards merit and penalises discrimination; as Sowell has put it, prejudice is cheap but discrimination is costly.

People who operate under the unconstrained vision, in contrast, are likely nowadays to see processes like equality before the law as insufficient or even themselves embodying subtle forms of discrimination. So if processes that treat people equally produce unequal results, public policy must treat people *differently* in order to aim for equality of results. These alternative perspectives are apparent in the debate that has followed Don Brash's Orewa speech.

We are familiar with the arguments for and against 'affirmative action' as results-oriented rather than process-oriented, but I think Sowell helps us understand why the arguments are so passionate and inconclusive: they draw on his conflicting 'visions'. The constrained vision warns us about the limitations on the ability of the state to help the disadvantaged (as opposed to individuals and voluntary organisations with much more knowledge of the personal circumstances of people in need). As long as the process itself treats everyone the same – judges them by the same criteria, whether in employment or in a courtroom – then there is equality of opportunity or equality before the law, as far as the constrained vision is concerned. Outcomes are fair if processes are fair. The unconstrained vision, in contrast, simply asserts that some outcomes are unjust and must be politically overridden. People who think that way regard any imbalance in the workplace between the genders or the races as evidence amounting to proof of unacceptable discrimination. To the objection that all individual job applicants may have been treated equally, the answer is that they can't have been: the unequal outcomes prove otherwise. The thinking behind 'pay equity' proposals – using the power of the state to engineer pay relativities different from those arising from market processes – is the same.

I labour the point because Sowell's book made me realise that the disagreement may be wholly honest. Many people simply do not agree that fair processes guaranteeing equal treatment are sufficient. If they don't lead to desired outcomes they must be amended until they do. Unequal outcomes mean that either the starting points or the process were unfair. Argument between the two positions is futile: the intuitions on which they are based are too deep to be moved.

We can see the outworkings of the two visions in many other policy areas. More than any other in recent times, our current government often appears as an adherent of the unconstrained vision. It shows a touching faith in human nature, only to be surprised by how people respond to its actions. Thus when it came into office, the government was concerned about the

levels of student debt. It reacted by making loans interest-free while students are studying, apparently with no expectation that this would change incentives to borrow. Of course it did, and student debt has mushroomed. Similarly, the government made access to sickness and invalids benefits more lenient, seemingly in the belief that people would only take up such benefits if they genuinely needed them. It appears to be puzzled by the rise in the numbers of people on these benefits. It has also relaxed work tests, on the naïve premise that all or most beneficiaries desperately want to get off benefits and into work. In the welfare area, it is the government that has been jolted into reality, not beneficiaries.

These examples could be multiplied. In the local government area, the government has given councils a power of general competence, unconstrained by the checks and balances of a more soundly conceived democratic system. Its utopian tendencies come through in its distrust of markets, as we have seen in the electricity sector. Where markets have not worked perfectly, its instincts have been not to improve their operation but to reassert central control, seemingly without regard to the ubiquity of government failure. The fact that a fish can't fly doesn't mean that a rhinoceros can do any better, but the government seems oblivious to this reality. In the education sector, we see the inclination to rely on the decisions of bureaucratic 'experts' – central planners in Wellington – rather than parents, who are regarded as too ill-informed to make decisions on matters like the curriculum, qualifications and the choice of school for their children.

Another practical illustration of the conflict of visions is in the area of crime and criminal justice. Those, like economists, who believe that incentives matter, place emphasis on the importance of the probability of detection, conviction and punishment to deter crime. In the justice system they put weight on process rules (for example, a right to a fair trial, a right to be presumed innocent until proved guilty, and so on) that help promote fair outcomes. By contrast, those with an innocent belief in the innate goodness of human beings emphasise the social causes of crime, rehabilitation and restorative justice. They promote 'clean slate' legislation,

as our government is doing, to wipe out records of criminal offending. They tolerate or encourage individualised notions of justice on the part of judges, and undervalue the importance of certainty, predictability and the wider ramifications of judgments beyond the individual case.

We have illustrations of the different visions of justice from classical times. At the end of Homer's *Odyssey*, Odysseus returns home to Ithaca after being abroad for 20 years. He finds numerous men courting his wife, eating his food, slaughtering his animals, messing up his house and abusing his child. In order to "put right the wrong", "heal his emotional wounds", "keep the cost of administering justice to a minimum", "empower himself as a victim" and "gain a sense of control in his life", he proceeds to engage in a massive killing spree that wipes out a fair number of the eligible bachelors in his community. Needless to say, their relatives are not happy about the situation. They decide to take revenge on Odysseus and his party. Another killing spree ensues. The gods intervene. In the very last lines of the poem, Athena forces them to end their feud:

Odysseus ... Call off this battle now,  
or Zeus who views the wide world may be angry.

He yielded to her, and his heart was glad,  
Both parties later swore to terms of peace  
Set by their arbiter, Athena ...

Here we have one of the earliest Western writings on justice (around 800 BC). The victim is not allowed to redress the wrong. Neither the offender nor the victim has a say in the "terms of peace"; they are set by a higher authority (a goddess). In modern terms, Homer is advising us that an impartial authority (a judge or jury) is in a better position to mete out justice than are two warring factions (ie the perpetrator of the crime and his or her victim). The ancient Greeks tried 'restorative justice' and found it wanting. This is not to say that this is always the case, but we should be warned. (Shakespeare also had important things to say about justice in *The Merchant of Venice*.)

In *A Conflict of Visions*, Sowell shows, then, why adherents of the two visions may fail to understand one another, why they are so resistant to one

another's arguments, and why they so quickly resort to accusing one another of bad faith: why else would anyone put forward such self-evidently absurd ideas? But it doesn't follow that the visions can't be objectively compared. They are not 'equally valid' accounts of reality, as a relativist might have it. Indeed, I believe that the evidence overwhelmingly supports the view that outcomes we all desire are much more reliably produced by processes like markets and the rule of law than by direct action, by the everyday mixture of motives that keep the world going round than by intense, conscious, and direct commitment to worthy ends. Indeed, intellectual developments are steadily strengthening the foundations of the constrained vision. But, given the continuing appeal of the unconstrained vision, political campaigns to expand its scope never seem to be at an end.

I mentioned economists a moment ago. It has been said that economics is about incentives – “all the rest is commentary”. Economics works wholly with the constrained vision as Sowell defines it: a simple but relatively fixed model of human nature, a reliance on processes like markets, using dispersed knowledge, to produce desirable but not necessarily intended results like prosperity, and scepticism about claims by governments to have specialist knowledge of economic reality.

The predictive power of economics is unrivalled among the social sciences, for the simple reason that all of us respond to incentives in our private lives – even those whose thinking is based on the unconstrained vision. When it comes to buying and selling a house, for example, we all behave as nearly the same as makes no difference: we aim to get the best possible deal, and, above all, we act on the assumption – which is reliably borne out every day – that everyone else is out for the best deal too. In the universal marketplace there is no room for any of the conceits and wishful thinking about human nature inherent in the unconstrained vision. By contrast, the predictions made by disciplines that rest on the assumptions of the unconstrained vision – I have in mind modern sociology, criminology, and education, and the example of affirmative action – have a poor record. Nor do we take them seriously in our private lives. Whatever we say in other contexts, when people become victims of crime they become concerned

about issues like policing, sentencing, and deterrence; they don't typically demand new policies to reshape human nature.

However out of sympathy economics is with other social sciences, the elementary model of human nature that economists work with is now being confirmed and expanded by developments in psychology and genetics. Stephen Pinker's book, *The Blank Slate: The Modern Denial of Human Nature*, argues cogently if controversially that the modern notion that human nature is just structureless raw material in the hands of society to fashion as it wishes cannot withstand the evidence. Rather, we are born with genetic predispositions that cause most of our behaviour. Pinker doesn't rule out behavioural improvements, but these would have to be based on correct knowledge of our natures, and that means abandoning the 'blank slate' view that has held sway for several centuries. And if you ever thought that economists had an insultingly bleak view of human nature, consider this passage by Matt Ridley, author of *Genome* and *Nature via Nurture*:

Most people now know the humiliating news from the Human Genome Project that we have the same number of genes as a mouse. There is no special set of 50,000 genes for making human brains, as was being seriously mooted just a decade ago. The news keeps getting more deflating, because even the recent estimate of 30,000 human genes looks like an overestimate. The current betting is for fewer than 25,000, which is barely twice as many as a fruit-fly, a mere 6,000 more than a microscopic worm, 2,000 fewer than a mustard weed and 15,000 fewer than a rice plant. Dethronement on this scale has not happened since Copernicus took us out of the centre of the solar system.<sup>3</sup>

If human nature changes, it changes very slowly, over millennia. Every time a census comes out, I check up to see whether a category of saints or angels has appeared, but to date the answer is no. The insights of Homer and Shakespeare into the human condition are as relevant and profound as any we will encounter in life and literature today. Their works illustrate the extraordinary virtues and sublime accomplishments of our fellow human

---

<sup>3</sup> Matt Ridley, 'The humbling of Homo sapiens', *Spectator*, 14 June 2003, p 43.

beings as well as their vulnerability to all the follies and vices to which mortal flesh is prone.

I conclude that the story of the conflict between the two visions is far from over. It may well have no end. As the evidence in favour of the constrained view of human nature steadily accumulates, we can be more confident than ever that the schemes inspired by the unconstrained vision will come to nought. But how much more harm they will do in the process of failing is anyone's guess.