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**CHRISTCHURCH BUSINESSMEN'S CLUB**

**WHAT'S ALL THIS ABOUT INDIVIDUALISM?**

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## WHAT'S ALL THIS ABOUT INDIVIDUALISM?

Speaking at the Anglican Care conference in Christchurch just over two years ago, Alliance leader Jim Anderton was reported as saying that the Treasury viewed New Zealanders "merely as individuals who happened to live in the same area." He went on to tell us that this view:

... had led to the imposition of alien values based on a commercial model and produced selfish, competitive individualism instead of mutual support and cooperation.

This theme is also a popular one in the churches, and not only in New Zealand. Melbourne's Archbishop Keith Rayner, Primate of the Australian Anglican Church, recently claimed that the ideals expressed in the Bible:

... postulate community, not rampant individualism and competition; bearing one another's burden, not knocking your neighbour down ... [nor] regarding people as productive units or cogs in a machine.

Similar rhetoric can be encountered almost every day - rhetoric that associates individualism with selfishness, and community with altruism. Yet these associations are wholly misconceived. Individualism and community are not opposites or mutually inconsistent. We are not forced to choose one at the expense of the other. As Alexis de Tocqueville observed, in democracies "all become powerless if they do not learn to help one another voluntarily". Moreover, a society in which individuals have a high degree of economic freedom actually strengthens social cohesion and gives a freer rein to altruism.

However, despite the demonstrated success of the open economy and society, attacks on economic and social freedom will continue. As the scientist Terence Kealey has recently put it:

The historical (and contemporary) evidence is compelling: the freer the markets and the lower the taxes, the richer the country grows. But *laissez faire* fails to satisfy certain human needs. It fails the politician, who craves for power; it fails the socialist, who craves to impose equality on others; [and] it fails the businessman, who craves for security ... . It also fails the idle [and] the greedy ... who crave for a political system that allows them to acquire others' wealth under the due process of law. This dreadful collection of inadequates, therefore, will coalesce on *dirigisme*, high taxes and a strong state. They will seek to organise society politically, not economically.

Thus the first point to make is that the individualism/community distinction is unhelpful. Rather, individualism is to be contrasted with collectivism, and it is attacked by those who espouse collectivism in its various guises - from the early socialists 150 years ago to the so-called communitarian movement today. For much of the 20th century, communists and social

democrats (and even some who called themselves conservatives) shared the belief that socialism was the wave of the future. They thought capitalist competition was fatally undermined by inefficiencies and unacceptable inequities, and would eventually succumb to the demand for a just, rational, planned economic order. While that view was never soundly based in experience, over the last 20 years it has been decisively refuted by events. Not only did full-blown communism prove unsustainable, but the promise of 'social democracy' in western countries went sour with the combination of slow growth, high inflation and rising unemployment.

By contrast, increasing economic freedom has produced spectacular growth in many developing countries in Asia, Latin America, and now even Eastern Europe, and the 21st century could usher in the widest spread of market-based prosperity that the world has ever seen. Yet at least in western countries like New Zealand, this success has still not put beyond question the legitimacy of the free enterprise system among intellectuals and commentators. Many are still captivated by the socialist dream, even though in practice it repeatedly turned out to be a nightmare. They lament that we seem to be stuck with a system which they regard as morally inferior to socialism, and which can at best merely be tamed and modified by government intervention. If capitalism is to be allowed a material victory among such people, it is certainly to be denied a moral one: the profit motive remains as disreputable in their eyes as ever. We will no doubt continue to hear complaints about 'the law of the jungle', 'the pursuit of profit', 'cogs in machines' and 'atomised individualism' from academics, clergy and other commentators.

But stubbornly, much human behaviour will remain as 'individualistic' as ever. It is ironic that those who denounce individualism and espouse collectivism nevertheless behave in their own economic lives just like individuals who support markets. They sell their houses to the highest bidders, snap up bargains when the opportunity arises, and, I dare say, lawfully minimise their tax liabilities. Being known to oppose capitalism may be a fairly reliable indicator of the way some people vote, or whether they work in the state or private sector, but it is no indicator of their personal behaviour.

Moreover, the idea that collective action embodies altruism and sacrifice, and that individualism embodies selfishness and greed, is a fantasy. 'Collectivism' and 'individualism' are different social systems. Collectivism was defined eighty years ago by the English jurist Albert Dicey as:

... government for the good of the people by experts or officials who know or think they know what is good for the people better than any non-official person or than the mass of the people themselves.

Under collectivism, the major decisions about the economy and society are taken by central institutions, normally the state. In a market economy which allows individual freedom, those decisions are largely left to individuals to make for themselves. Every society contains some mixture of collectivism and individualism. No modern society is without a state, just as none lacks at least a small sphere of individual initiative, expressed in markets and other kinds of voluntary action.

It is extraordinary that so many in the church have been seduced by collectivism in the last 30 years or so. Many seem to have fallen under the influence of people like the Harvard theologian Paul Tillich, who wrote that "any serious Christian must be a socialist". Yet no proposition could be more inconsistent with traditional Christian religion. As the Catholic writer Michael Novak has pointed out:

... it is no accident that a capitalist economy grew up first in the part of the world deeply influenced by Judaism and Christianity. ... Capitalism is not about individualism. It is about a creative form of community.

At a deeper level, Christianity is also about the relation of the individual to God, and to other human beings. Collectivist regimes like the Soviet Union did their utmost to suppress such relationships. Their counterparts today are the oppressive regimes of Iran, Iraq, Libya, Myanmar, Cuba and the like. These are the societies in which people are indeed treated as 'productive units' or 'cogs in a machine', and less authoritarian collectivist regimes are just variations on this theme. Church leaders like the Melbourne archbishop have comprehensively lost the plot.

Over the last 20 years economic policy changes in almost every corner of the world have seen a major expansion of the individual sphere at the expense of the collective. This counter-revolution has brought large benefits, but they are not confined to economic efficiency as narrowly understood. More fundamental moral considerations are also at stake. Market liberals welcome the expansion of the individual sphere as enhancing freedom and the scope for moral behaviour; collectivists regret the greater scope they think this has given to the forces of selfishness, at the expense of community.

Are the collectivists right? Does an expansion of economic freedom bring with it, as they argue, an abandonment of 'compassion' and 'solidarity' in favour of a 'dog-eat-dog' society? Is this a price we may have to pay if we want to preserve or increase our living standards? I think not; indeed I will argue that the consequences are quite the reverse.

The claim that individualism is equated with selfishness and collectivism with altruism was very effectively debunked by Karl Popper, who wrote his famous book *The Open Society and its*

*Enemies* in this very city while a refugee from collectivism during World War II. Popper pointed out that:

Collectivism is not opposed to egoism, nor is it identical with altruism or unselfishness. Collective or group egoism, for instance class egoism, is a very common thing ... and this shows clearly enough that collectivism as such is not opposed to selfishness. On the other hand, an anti-collectivist, i.e. an individualist, can, at the same time, be an altruist; he can be ready to make sacrifices in order to help other individuals.

Popper thought that the confusion arose very early in Western political thinking. He traced it as far back as classical Greece, where the philosopher Plato wrote that:

The part exists for the sake of the whole, but the whole does not exist for the sake of the part ... . You are created for the sake of the whole and not the whole for the sake of you.

Plato's view seems fundamentally illogical: a society, in the end, is composed of individuals. Popper interpreted Plato's misconception as a throwback to a prehistoric tribal morality that emerged at a time when survival did require individuals to subordinate their private interests to those of the group. He went on to explain modern collectivism - with some plausibility - as an attempt to recreate tribal morality. Some people long for a certainty and order that they feel is missing in today's world. At bottom it is a longing to avoid the burden of civilisation. But the benefits of civilisation are possible only if individuals accept a large degree of individual responsibility for their own lives.

For Popper, 'class egoism' is evidence that collectivism does not equate with altruism. But a more striking example is nationalism. Though widely condemned today, nationalism is the most popular form that collectivism has ever taken, and the one that has inspired, for better or worse, immense individual sacrifice.

There is a tendency to regard nationalism, and its extreme manifestations in fascism and Nazism, as polar opposites to communism - on the right rather than the left of the political spectrum. Yet the Nazis called themselves national socialists for good reason. Anti-individualist sentiments predominated in Germany in the years after World War I. Nazis, communists and social democrats were locked in a ferocious struggle over which of them would inherit the collectivist mantle. Hitler understood this: the Nazi flag was red, in brazen imitation of the communist flag, though with a swastika on it. After the Nazis came to power in 1933, thousands of ex-communists flocked to join the party. Hitler even arranged special positions for them, since they had been usefully trained in totalitarian techniques.

Our revulsion at the Nazi period of German history has often led us to forget that German collectivism in the late 19th and early 20th centuries had great international popularity and

influence. The forms of social insurance that New Zealand and Australia adopted at the turn of the 20th century, and Britain a few years later, were inspired by measures introduced in the 1880s by the German chancellor Bismarck. The only other place where their industrial relations systems were adopted was the Weimar Republic. The Nazis continued this tradition. In 1920, they adopted a programme calling for major extensions of the welfare state, summarised in the slogan "The common good before the individual good." They stood for what they called a *Volksgemeinschaft*, a 'people's community'.

Most people would concede that collectivism is not automatically good, and that some of its manifestations like the Nazi regime led to monstrous evil. But surely, they would argue, the collectivism of the modern, social democratic state, where governments are subject to electoral dismissal, is a different matter? Does not the modern welfare state embody our collective altruistic determination to aid the sick, the disabled and the needy? To a degree it does: most of us would agree there is a case for financing a social safety net out of taxation. But other motives are also at play.

After all, most welfare state spending goes to people who do not strictly need it. Much goes straight back to people who paid the taxes to finance it in the first place. Huge sums of money are now politically at stake as resources flow to various interest groups. The battles that are fought out as each interest group tries to grab a larger slice of the cake, while shifting the costs on to other groups, are the reverse of what we should call altruism. If collectivism is so unselfish, why are superannuitants, nurses, teachers and other such groups not offering to take cuts in income? The truth is that the gathering fiscal crisis of the welfare state in most western countries cannot be blamed on excessive spending on the disadvantaged. Rather, it reflects the never-ending pressure for more spending on services like education, health care and age pensions - all stoutly defended by the champions of their beneficiaries as they jostle and compete with one another for the spoils.

The lesson to be drawn is that collectivism is fundamentally just one way of doing things. Collective action by the state is needed to ensure the provision of a sound legal system, genuine public goods and a social safety net. Thus for the foreseeable future services such as defence, law and order and some infrastructure will continue to be delivered and paid for collectively. Collectivism can be driven by any of a wide range of motives, worthy or otherwise. As a mechanism, its relative efficiency is open to objective investigation. By and large, it performs worse than methods that rely on individual initiative. This is the basis of the economic case for limited government.

It is not too difficult, then, to debunk the claim that collectivism equates with altruism. It is also easy to deal with the claim that individualism equates with selfishness. There is often

confusion on this point. One source of confusion is the frequently misquoted statement of Margaret Thatcher that "there's no such thing as society". This remark has been widely interpreted as a defence of selfishness. Lady Thatcher was in fact saying the opposite, and her complete statement is instructive:

I think we've been through a period where too many people have been given to understand that if they have a problem, it's the government's job to cope with it. 'I have a problem, I'll get a grant'. 'I'm homeless, the government must house me.' They're casting their problems on society. And you know, there's no such thing as society. There are individual men and women, there are families. And no government can do anything except through people, and people must look after themselves first. It's our duty to look after ourselves and then, also, to look after our neighbours. People have got their entitlements too much in mind, without the obligations. There is no such thing as entitlement, unless someone has first met an obligation.

To interpret this passage as condoning selfishness takes an effort of distortion that is quite impressive in its own way. Far from praising selfishness, Lady Thatcher was delivering a homily about the importance of consideration for others and denouncing people who try to shuffle their personal responsibilities to help others on to the state. Her message was very clear. Not only individuals exist, but families and neighbours as well. People have obligations to look after their neighbours as well as their families. The goods and services that the state delivers collectively first have to be produced by individual effort. Unless people make some efforts of their own, there is little the state can do to help. All this seems eminently sensible. Moreover, as prime minister, Margaret Thatcher frequently affirmed there are positive roles that governments must play. And plainly there is 'society' in the sense of a cultural heritage or a national tradition which is a part of us all.

It is true that the language of individualism can often sound less morally uplifting than the language of collectivism. Collectivism speaks of cooperation, which can be taken to imply self-sacrifice in favour of the collective, although it seldom works out that way in practice - those in the party hierarchies have proven to be adept at exploiting the system. In contrast, the language of individualism incorporates the idea of 'self-interest'. 'Self-interest' is linguistically related to the word 'selfish', which has led to the two terms often being confused. In fact, self-interest and selfishness are two entirely different things. 'Self-interest' simply refers to individuals pursuing goals that they choose for themselves, rather than goals selected collectively. But these goals may be entirely unselfish, like the promotion of good causes. Just as collectivist methods may be put to evil purposes as well as good ones, so individuals can choose altruistic as well as selfish goals. The typical goal, I suggest, is not one's own welfare narrowly understood, but includes the welfare of one's immediate friends and family, with self-interest and family interest being particularly closely identified.

Markets have a moral advantage over collectivist systems, since market activity is based around the idea of voluntary cooperation in a way that political activity is not. In any market transaction, two or more parties choose to conduct an exchange in which all sides expect to be better off. We cooperate voluntarily with others when we buy a newspaper or a motor vehicle, enter into an employment contract, buy or rent a house, put money on deposit or take out a loan. A market economy is a vast network of voluntary cooperation among peoples, for mutual gain. By contrast, collective political action usually involves winners and losers, with the winners effectively coercing the losers.

Provided market exchanges are free of coercion or fraud, the pursuit of self-interest through markets also benefits others. Far from being selfish, self-interest in a market economy drives the entire system. It is in our interest to cooperate with others, and so we do. The most everyday and apparently simple product - a pencil, say - is designed, produced, transported and sold as a result of countless individual acts of cooperation amongst numerous people, most of whom have never met each other, all following their own self-interest. As Novak puts it, business is a community activity: "the modern business system expresses the interdependence of the whole human race." All this was fully understood by Adam Smith: he saw that economic freedom linked humanity in a great division of labour, kept together by an 'invisible hand' which usually led those following their own self-interest to indirectly serve the wider good.

The metaphor of the invisible hand is easily parodied into meaning that in a market economy we can act as selfishly as we like, since the market ensures that no harm is done. But in fact Smith argued the opposite. Smith was a moral philosopher who believed that a market economy worked best when underpinned by a strong culture of civic virtues. He is sometimes accused of ignoring altruism - but only by people who have never read even the first sentence of his book, *The Theory of Moral Sentiments*. It begins:

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it but the pleasure of seeing it.

Smith believed every man or woman had the capacity to sympathetically visualise other people's circumstances by putting themselves in their position. He saw every person's conscience as an 'impartial spectator' who judged his or her actions in terms of broader moral standards. He affirmed the virtues of prudence, beneficence and justice, and considered that society was possible only to the extent that these virtues were observed. All this is a world away from the crude caricature of Smith's thinking as 'atomised individualism' so often dredged up by opponents of markets.

Why does it seem so hard to get that point across? Partly, perhaps, because of a lack of imagination when it comes to markets. When we think of markets we might think of the stock exchange - an impersonal and largely faceless trading system. But we could just as well think of the fruit and vegetable markets of our cities, or the bazaars of Asia or the Middle East. These markets are surely driven by self-interest, but the prevailing atmosphere is one of harmony and cooperation, even - dare I say it - community.

Market exchanges are not normally characterised by deceit and distrust, but by mutual goodwill and cooperation. When we hand over 70 cents to a newspaper boy, we expect he will give us a newspaper. If he gives us the newspaper first, he expects we will hand over the money. Of course, we can be conned and betrayed, but such behaviour is not only morally wrong but doesn't usually pay. Thus as individual participants in a market economy, critics and supporters of markets alike are generally willing to extend to others the trust necessary for commerce to get going. This trust makes exchanges easier - just try to imagine the costs and inefficiencies in a world where buyers and sellers of newspapers could not trust each other - and it is a form of social capital which is largely self-sustaining. It is more easily eroded by the uncertainties generated by arbitrary government intervention than by the operation of the market.

But the deeper reason why markets are seen as selfish is that in modern times many have come to identify 'community' simply with the realm of politics. All human life outside politics is then seen as 'individualistic' in the sense of being asocial and solitary. Thus MP Lianne Dalziel, for example, accuses the Business Roundtable of talking only about personal and family responsibility, and never community responsibility. For the hard Left, community responsibility means political action and collectivism.

Yet this is completely wrong-headed. The romantic idea of the community-state, in which politics governs every aspect of life, is a fatal conceit. By taking on excessive, intrusive powers, the collectivist state undermines or destroys local face-to-face associations. It replaces these horizontal links between 'individuals-in-community' with vertical links between the individual and the state. The results of this alienation are all too evident. The modern form of the collectivist state was born with the French Revolution and died with the collapse of the Soviet Union. It is not likely to be quickly resurrected.

The alternative to the collectivist state does not involve just a mass of isolated individuals; no society can be like that. British Labour Party leader Tony Blair has often made the point that a strong society should not be confused with a strong state. As he has put it:

The history of workers' cooperatives, the friendly societies and the unions from which

the Labour Party sprang is one of individuals coming together for self-improvement and to improve people's potential through collective action. We need to recreate for the 21st century the civil society to which these movements gave birth ... .

The possibility of a civil society in which people forge their own social networks, without these networks having to fit a pattern imposed from above, is a very real one. Most people in their private lives belong to community associations, whether temporary or permanent, formal or informal. That is what David Green meant by the phrase 'community without politics' in his book *From Welfare State to Civil Society*. The citizens of a modern, free and open society need not be united around a common goal or enterprise. Within a common set of rules and standards, they can pursue their diverse private goals, which usually include a concern for the welfare of their fellow citizens.

At present, New Zealand would surely benefit from greater reliance on community without politics. Issues of major public concern, such as rising rates of crime and welfare dependency, and poor standards in education, are not being satisfactorily addressed by a political system which has assumed responsibility for them. Faced with politicians who have let them down, people tend to withdraw into private apathy, or find individual solutions that may be less than satisfactory. But most of our problems are the result of public action being monopolised by the political system, with the consequence that there is reduced scope for solutions generated by individual cooperation - whether through markets or non-market activity. The resources available to deal with public issues are commandeered by the government through taxation, leaving citizens with reduced ability to assume responsibility for those issues themselves.

On this analysis, the way to revive our public life is to transfer more responsibility from government back to individuals in society. If central and local governments started giving people back their taxes and rates they could play a larger and more fulfilling role in a genuine community. People might then find other ways to educate their children, for example, and to assist the voluntary associations that they think do a good job of helping the disadvantaged to become self-supporting. This sounds, and is, quite a challenge: a moral challenge to all of us to get more involved in our communities. It asks us to concentrate more on our individual responsibilities and less on our rights to taxpayer resources. The era of big government is over, and political provision is no longer a credible response to our present social problems. Not for the first time, Jim Anderton got it exactly backwards: the inherent 'winner-takes-all' divisiveness of politics must yield to a civil society of voluntary cooperation and engagement if we want to find genuine solutions.