

COGNITIVE DISSONANCE, MARKETS AND THE LABOUR PARTY:

WHY LABOUR MUST ACCEPT MARKET ECONOMICS

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Like Lear, who kept faith with the wrong daughters until the discrepancy between their real badness and longed-for goodness broke his sanity, the Labour Party has long been riven with inner conflict. We are convinced, for public consumption, that centralised economic planning is a dead end; we argue, on television, for a market economy with a human face; but deep within our three-piece suits a cracked but irrepressible voice screams in our inner ear: "capitalism is evil!" In company we ignore this voice like one ignores back pain, but in quiet moments we listen and we know it is there. This is what broke us in 1992. We were asking the electors for permission to run on their behalf a system which in our heart of hearts we wanted to dismantle.

HEART OF HEARTS

We never openly proposed central planning and state ownership; very much the reverse. But the voting public knew we really did favour it in our guts. It knew that ordinary party members for the most part want to go at least half way to a command economy. And it suspected that even our leaders only favour the market system for reasons of fashion. Why else had they no battle-light in their eyes, why else did they attack with so little gusto?

So we weren't just written off as naive Luddites, but as a spineless crowd too frit to say what we believed in. Not only that: we thought we were spineless. We didn't believe in ourselves, but performed the actions of an election campaign from memory, in a kind of ecstatic trance.

We can't and don't deserve to win elections by ignoring what party members below the rank of Shadow Cabinet think. We can't engender a conviction in favour of our party's ideas by four weeks of snappy posters. We can only build it up over many years. Parties get elected if the people in them believe what they are talking about; if they have fire in their bellies. Presenting policies you don't be-

lieve in is wrong and doesn't work. Meekly agreeing to disagree, like we have from the mid-80s on, is no good because electors quite correctly only trust a party that trusts itself.

HOSTILE

You think this is too downbeat? Do you seriously believe that any voters at all are anything but deeply cynical about our economic policy? But don't you yourself get the creeps when you hear our leaders talking about the economy? Not because of particular policies but because of the cultural background. Aren't you guiltily aware that, even if they believe what they're saying, they know darn well that half the CLPs in the land stand four square against it? And the voters know it: as the government sank up to its armpits in fiscal doom, the chief beneficiary of public opinion has been that darling of the electorate, the Don't Knows.

Ours is a condition that psychologists know as cognitive dissonance, a chronic conflict between perceptions and belief system. If we go on spouting uncomprehended blather about free markets, when the only way to be true to ourselves is to bellow the old battle cries about commanding heights and soaking the rich, we don't just ring hollow, we will be hollow. We might reclaim our souls by giving an atavistic defiant howl, moulting ties and pin-stripes, writing another long suicide note of a manifesto and retiring into opposition. But the reason we want to do this is because, like the flat-earthers who persecuted Galileo, we're afraid to leave our old certainties. And that way, only further madness lies. We don't become whole until we understand that the market system is a good thing in itself, not the enemy of everything we hold dear. Only then can we get to grips with making it work for us and the people we are here to serve. Only then will anyone believe in us, because only then will we believe in ourselves.

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FOR LIFE, LIBERTY AND PROPERTY



IT DON'T WORK

Why can't we simply bring productive resources into control of the state so everyone can work for a fair and more-or-less equal wage without always calculating how to get rich? Because it does not work. And the reason why it does not work is nothing to do with incentives or laziness or anything else that we can overcome with a mere change of attitudes. No, the planned economy does not work because human communities are too complex to be planned.

How many people are there in Britain? Sixty million, give or take. Each one has her or his own life aims, which are constantly changing. This makes planning the work of Britain an unimaginably complex task. No person, no committee, no group of committees can come close to possessing the necessary knowledge.

IN THE ARMY

Take an example of a large human enterprise which is planned: the Army. The Army has simple and clearly defined objectives and its soldiers are drilled over and again with a simple way of giving and obeying orders. Everything is broken up so that nobody ever commands more than three or four units: three brigades to each Major-General, three Squadrons under a Lieutenant-Colonel, down to the three or four tank crew, or infantrymen in a fire team, the smallest unit, again with no more than four elements to command. Finally, all those who don't play their parts right can be locked up or, in extremis, shot. And even then, how many times does an army botch things up, fail to communicate and arrive in the wrong place at the wrong time.

The fog of war is just an extreme example of the fog of everyday life, the fog of a million different independently minded and inevitably self-centred humans. Think for thirty seconds about how different you are from everybody else, how your own needs, beliefs and aims are quite unique ... then it should be clear that sixty million human beings are rightly incapable of mimicking the parts of a smoothly functioning engine working to a carefully thought out plan.

No, planning is quite the wrong model. What we need, rather, is a system that has evolved rather than being designed, because no designer has the time or breadth of knowledge to get it right. We need a system that is principally self-regulating rather than needing to be consciously directed at every turn. We need a system that lets each person make, without referring to a master-plan, a useful choice about how to contribute to the general wealth. This way of organising ourselves to work together can be precisely described only as the extended order of human co-operation, an order more commonly, if somewhat misleadingly, known as capitalism.

This is the central truth of economics. The argument for a market system is not about motivating slackers by threatening them with low wages. It's not about the moral primacy of private property. It is about recognising, with due humility, the dense complexity of human life. Science in this century has been in slow retreat from certainty to the point where we now not only don't flatter ourselves that we can explain everything, we even doubt we will ever be able to do so. If this is true of physics, how much truer must it be of economics, that least scientific of sciences. It's time to grow out of the economic planner's naive arrogance and reconcile ourselves to the human condition.

ON THE BRIDLE

Like most central truths, this one is perhaps best illuminated by metaphor. Imagine you need to travel over a large distance of trackless country, over rocky and uneven moorland, through rivers and across marshes. If you take a bicycle, your skill and strength will not be enough to stop you going over the handlebars at every tussock. On the other hand, if you go on horseback you can rely on the horse itself to know by its own instincts where to tread to avoid a fall, how to pick a path between the rocks and keep its footing through the river. And just as we cannot know enough to tell the horse where to put each hoof-print, we cannot know enough about our economy to direct its every move.

This is not, however, to abandon all hope of directing our fiscal affairs. After all, when you set out on your journey, you don't just sit on the horse bare-back and hope for the best, but you get a saddle, a bridle, some stirrups and sensible trousers; and you take some riding lessons. Only the crazed neoclassical monetarist headbangers want to take the bare-back route. Sure, a horse goes fast when you take the stirrups off, whack it on the backside and let it rip: but it's a pretty uncomfortable ride. Accepting that the extended order of human co-operation is the only way we're likely to succeed in working together doesn't mean accepting stupid Thatcherist ideas on economic policy. What it means is going to the trouble of learning to ride.

Learning to handle the stirrups and bridle of economic policy is hard work that's got to be done. We can't go on in revolt against the facts. Our economic policy must be about modifying the extended order of human co-operation to make it work better, not about tearing it down and starting again, for anything else is like running crime policy on the assumption that everyone tells the truth.

COMPROMISE

It's not enough, however, for left economists to solve these problems to their own satisfaction: twice as important is to convince others on the left that these are good questions and good answers. We need an intellectually respectable economic policy, but it's no good if we can't then look at ourselves in the bathroom mirror when we're brushing our teeth and not accuse ourselves of selling out.

We need to live in the truth that Socialism is a mistaken economic theory but hold fast to Socialism as a practical moral vision of mutual responsibility and fairness. To embrace the extended order of human co-operation is not to sell our birthright for bread and pottage of lentils. No, the deep injury Labour did to its principles in the '80s has nothing to do with abandoning state ownership. The party learnt little economics in that era beyond the jargon; on the other hand, as to objectives, we capitulated to the enemy. The profoundest change in Labour's economic policy is that we now never challenge the axiom that the purpose of government is to make everyone rich enough to have a video recorder. So we have lopped off all our radical ideals about a better way to live, solidarity, community, altruism and education, and replaced them with the enemy's mean aims, without learning any of the practical lessons of political economy. If the Labour Party is to work through its cognitive dissonance then we must never cease inveighing against the squalid emotions and banal life aims of Shopping Mall Capitalism. But we have also to accept the implacable fact of human variety which makes the state-run economy a *cul-de-sac*.