

VOLUME 1

THE COLLECTED WORKS OF ARTHUR SELDON

The Virtues of Capitalism

THE COLLECTED WORKS OF ARTHUR SELDON

- VOLUME 1 The Virtues of Capitalism
- VOLUME 2 The State Is Rolling Back
- VOLUME 3 Everyman's Dictionary of Economics
- VOLUME 4 Introducing Market Forces into "Public" Services
- VOLUME 5 Government Failure and Over-Government
- VOLUME 6 The Welfare State: Pensions, Health, and Education
- VOLUME 7 The IEA, the LSE, and the Influence of Ideas
(includes an index to the series)



Arthur Seldon

VOLUME 1

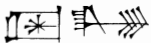
THE COLLECTED WORKS OF ARTHUR SELDON

The Virtues of Capitalism

ARTHUR SELDON

Edited and with Introductions

by Colin Robinson



LIBERTY FUND, Indianapolis

This book is published by Liberty Fund, Inc., a foundation established to encourage study of the ideal of a society of free and responsible individuals.



The cuneiform inscription that serves as our logo and as the design motif for our endpapers is the earliest-known written appearance of the word “freedom” (*amagi*), or “liberty.” It is taken from a clay document written about 2300 B.C. in the Sumerian city-state of Lagash.

Introductions © 2004 Liberty Fund, Inc.

All rights reserved

Frontispiece photo courtesy of the Institute of Economic Affairs

Corrigible Capitalism, Incorrigible Socialism © 1980 The Institute of Economic Affairs and reprinted with permission.

Capitalism © 1990 Arthur Seldon, originally published by Basil Blackwell Ltd.

Printed in the United States of America

09 08 07 06 05 C 6 5 4 3 2

08 07 06 05 04 P 5 4 3 2 1

Library of Congress Cataloging-in-Publication Data

Seldon, Arthur.

The Virtues of Capitalism/Arthur Seldon;

edited and with introductions by Colin Robinson.

p. cm.—(Collected Works of Arthur Seldon; v. 1)

Includes bibliographical references and index.

ISBN 0-86597-542-6 (alk. paper)—ISBN 0-86597-550-7 (pbk.: alk. paper)

1. Capitalism. 2. Capitalism—Social aspects. 3. Socialism.

I. Title

HB 501 .S545 2004

330.12'2—dc22

2004040830

LIBERTY FUND, INC.

8335 Allison Pointe Trail, Suite 300

Indianapolis, Indiana 46250-1684

CONTENTS

<i>General Introduction to the Collected Works of Arthur Seldon</i>	ix
<i>Biographical Note</i>	xvii
<i>Introduction to Volume 1</i>	xxi

PART I: Corrigible Capitalism, Incurrible Socialism

<i>Preface by Lord Harris of High Cross</i>	3
1. Mobilising Humanity for Progress	5
2. Market Success: Curable Defects	15
3. Government Failure: Incurable Defects	27
4. The Reigning Error: State Holism v. Market Experimentation	37
5. Reversing the Tide	40
6. Finale: Summary and Policy	47
A Short Reading List	49

PART II: Capitalism

<i>Foreword by Lord Chapple of Hoxton</i>	53
<i>Preface</i>	55
<i>Acknowledgements</i>	59
1. The Stake	61
2. Indoctrination against Capitalism	81
3. The Inevitability of Capitalism	108
4. The Return and Advance to Capitalism	132
5. Political and Market Democracy	158
6. The Capitalist Open Secret	184
7. Intellectual Reinforcement for Capitalism	205

viii Contents

8. More Intellectual Reinforcement for Capitalism	227
9. The Criticisms of Capitalism	247
10. The “Vision” of Capitalism	280
11. The Galloping Horses	310
12. The Values of Capitalism	342
13. The Verdict	376
14. Prospects	405
<i>Envoi: A Promise Kept</i>	435
<i>Descriptive Guide to Readings</i>	437
 <i>Appendix: Contents of The Collected Works of Arthur Seldon</i>	 467
<i>Index</i>	469

GENERAL INTRODUCTION TO THE COLLECTED WORKS OF ARTHUR SELDON

Arthur Seldon is one of the principal classical liberal figures of the last hundred years. He was born in 1916, in the middle of the First World War. Thus, at eighty-eight years old, he has lived not only through the massive technological changes of the twentieth and early twenty-first centuries but also through the momentous political and economic events of that time—the Great Depression, the Second World War, and the ascendancy of Keynesian and interventionist economics. In the second half of the twentieth century, he was one of the most powerful exponents of classical liberalism, helping to stimulate its revival both through his own writings and through the publications of the London Institute of Economic Affairs, of which he was editorial director for more than thirty years, from 1957 to 1988. In 1983 he was made Commander of the Order of the British Empire (CBE); he became the first Honorary Fellow of the Mont Pelerin Society in 1997; and he was granted an honorary degree of doctor en ciencias sociales by La Universidad Francisco Marroquín in Guatemala in 1998 and an honorary degree of doctor of science by the University of Buckingham in 1999. Most recently, in 2001, he was made Fellow of the London School of Economics.

Early Days

His life is a story of achievement by a person with steadfast principles who refuses to deviate from them, whatever the prevailing orthodoxy.¹ Seldon was raised in the working-class East End of London by his adoptive parents after his own parents died when he was only two. After his adoptive father also died, when Arthur was eleven, not long before the 1930s depression, his mother had to struggle to make a living on her own: self-help was then still

1. A brief biographical note by his wife, Marjorie, appears after this introduction.

the order of the day rather than reliance on the state. At the age of eleven, he went to the local “grammar” school, an institution that in those days was considered the backbone of the British educational system and which produced many of the leading figures in British economic and political life. He there met one of the first people to influence his career—an economic history master who explained to him the contrasting ideas of mercantilism and classical liberalism and who stimulated his interest in economic ideas.

In 1934 Seldon enrolled in the London School of Economics (LSE) after winning a state scholarship, for which competition was fierce. Although founded by socialists Sidney and Beatrice Webb, the London School of Economics was by then a place where many contrasting ideas—classical liberalism as well as socialism—flourished. It was the academic home of F. A. Hayek, who had just recently arrived from Austria, and of the British classical liberal economists Lionel Robbins (later Lord Robbins) and Arnold Plant. After graduating from the LSE in 1937 with first-class honors, Seldon became a research assistant to Arnold Plant before he was called to serve in the wartime army, spending periods in both Africa and Italy.

After the war, Arthur was tutor to Plant’s part-time students, became an LSE staff examiner, and worked as an economic adviser to the brewing industry. His interest in pensions—which is reflected in his later writings—began to emerge when he was a member of a Liberal Party Committee on the Aged in 1947–48. As part of his work for the committee he was in contact with Sir William Beveridge, who had in 1942 written a report on the social services that was very influential in the formation of the state pension system in Britain after World War Two.

The Institute of Economic Affairs

The principal turning point of Arthur’s professional life came in 1956, when he was approached to join the Institute of Economic Affairs (IEA), then being reorganized after its formation in 1955. In 1957 he began his career at the IEA, first as part-time editorial adviser and later as full-time editorial director. He worked there for many years with Ralph Harris (later Lord Harris) to form one of the most fruitful partnerships in classical liberal history.

Harris and Seldon were pioneering intellectual entrepreneurs. As general director and editorial director, respectively, of the IEA they started in the 1950s and the 1960s with the most modest resources and in the most unpropitious of circumstances. But Seldon’s intellectual rigor, Harris’s ability to spread their message, and their sheer perseverance ensured that, in the end,

their influence was felt worldwide. In personalities and talents they complemented each other. In Milton Friedman's words, "Ralph was a brilliant voice of the Institute; Arthur an unrelenting enforcer of intellectual standards in the Institute's books and the celebrated Hobart Papers he created."²

Harris and Seldon were advocating market solutions, and more generally the freedom of individuals to make decisions for themselves, in a country where many believed that centralized government "planning" had won the Second World War and could be equally successful in peacetime. Long after the war, in the 1950s and the 1960s, the state still dominated life in Britain. The symptoms of the planning mentality that prevailed at that time were almost everywhere: the existence of government plans and policies for all major sectors of the economy, culminating in the "National Plan" of the mid-1960s; the presence of a large nationalized sector; special privileges for labor unions; the persistence of wartime shortages because of an unwillingness to allow prices to clear markets; the inability of citizens to spend their money as they wished, to take significant sums abroad, and, because of "incomes policies," to have the incomes their employers wished to pay them. The government attempted to suppress the price mechanism wherever it thought it could do so, despite the shortages thereby created. Opinion leaders had no interest in market solutions.

Author famine was another problem for the fledgling IEA. To establish its reputation, it needed to publish clear yet intellectually rigorous papers, preferably by authors with their own independent reputations. Few established authors were willing to write for an unknown institute whose directors evidently had ideas far outside the mainstream economic and social wisdom of the day, and many potential authors feared that writing for such an organization would damage their credibility among their peers. More and more authors came forward in the course of time, but in the early days Harris and Seldon had to write many of the papers themselves or, occasionally, in conjunction with others. In 1957, for example, the year in which Arthur Seldon joined the institute, he wrote one of its first papers, *Pensions in a Free Society*. Subsequently, he returned many times, in his own writings and those he commissioned from others, to the reform of pensions and other aspects of the "welfare state" and to ways in which the state could be rolled back.

2. Milton Friedman, "The IEA's Influence in Our Times," in *A Conversation with Harris and Seldon*, IEA, Occasional Paper 116, 2001, p. 70.

Changing the Climate of Opinion

Initially, academic economists, social scientists, journalists, and the bulk of intellectuals (in Hayek's sense)³ were not only unwilling to be IEA authors but were also most unreceptive to market ideas that, in the 1950s, the 1960s, and the early 1970s, were regarded as passé. The economics profession in particular was resistant to change, having become bound up in macroeconomics as practiced by the followers of Keynes and in various forms of planning: there was little interest in microeconomics and price systems. Harris and Seldon went about the formidable task of changing this antimarket climate by patient explanation of the virtues of the price mechanism—both as a matter of principle and in case studies of particular markets—and of the benefits of consumer choice. But they had to be entrepreneurial in devising new ways of reaching the intellectuals, on whom they necessarily had to depend to spread their message. Neither economists nor other social commentators would be convinced by mere advocacy. Hard evidence and clear-cut argument were required.

Seldon's key role in this venture of reaching and convincing a substantial number of the intellectuals was to formulate a publishing program for the institute, to recruit authors, to edit their work, and to ensure that they were not constrained by inhibitions about what might be "politically possible."⁴ In so doing, Seldon in effect invented a new form of publication. It was fairly brief (normally 10,000 to 15,000 words), was based firmly on economic principles, and avoided unexplained technical jargon. Each publication formed part of a series (for example, Hobart Papers or Occasional Papers) to indicate that it was not a solitary venture but part of a more general view of the world of which any one publication was but an example.

3. Hayek defines intellectuals as "second-hand dealers in ideas" rather than original thinkers or scholars. He includes among intellectuals journalists, teachers, ministers, lecturers, publicists, radio commentators, writers of fiction, cartoonists, and artists, as well as professional men and technicians who become carriers of new ideas outside their own fields. See F. A. Hayek, *The Intellectuals and Socialism*, first published in the *University of Chicago Law Review* in 1949 and reprinted by the Institute for Humane Studies (IHS) in 1990. His definition of intellectuals is on pages 6 and 7 of the IHS reprint.

4. For an explanation of how Harris and Seldon worked and of their respective roles, see the Liberty Fund video of a conversation with the two men, conducted by Stephen Erickson and produced in 1999 as part of its Intellectual Portraits series. A transcript of the video, accompanied by eight commentaries by distinguished scholars, was published in *A Conversation with Harris and Seldon*.

The IEA's publishing program, now more than forty-five years old, has attracted as authors some of the world's most eminent economists and other social scientists, including a number of Nobel Prize winners. Seldon was always quick to embrace and publicize new fields of research before their significance was widely recognized. For example, in the days when fiscal fine-tuning was still in vogue in Britain, Seldon foresaw the importance of the work of Milton Friedman on monetary policy. The IEA brought Friedman to London to give a lecture, which proved very influential with governments.⁵ He also realized the radical implications of public choice theory for the balance between state and voluntary activity and in 1978 organized a conference on the subject that was attended by, among others, James Buchanan.⁶ It was Seldon, in conjunction with Harris, who imported the public choice ideas of Buchanan, Tullock, and their followers into Britain.

Seldon spent a great deal of time working on the manuscripts that he received from authors, using his editorial skill to transform the drafts from turgid academic papers into intelligible and highly readable publications that could be instantly recognizable as IEA series contributions. Seldon drew into IEA publications, as authors or commentators, critics of the market or people who were skeptical of its virtues. Critics would also be asked to referee IEA publications: hearing and understanding critical views before publication are often the best ways of sharpening an author's analysis. Thus, the IEA's network of contacts stretched well beyond its "natural" supporters.

The Influence of Seldon and the Institute

The influence of the IEA's publications was eventually more directly observable than is generally the case with the work of "think tanks." By the early 1980s the incoming Thatcher administration had seized on the institute's ideas about smaller government and the widespread use of markets, putting privatization of the nationalized corporations, labor union reform, abolition of exchange control, and other IEA ideas not just onto the political agenda but into practice. Civil servants were given reading lists of IEA papers by Mrs. (now Lady) Thatcher and by Lord (previously Sir Keith) Joseph, one of her intellectual mentors. Hence, the proposals of IEA authors, as edited by Seldon, became reality, albeit often not quite in the form that either Seldon

5. The First Wincott Memorial Lecture, 1970. Subsequently published by the IEA as *The Counter-revolution in Monetary Theory*, Occasional Paper 33, 1970.

6. Published by the IEA as *The Economics of Politics*, Readings 18, 1978.

or the authors intended, because they were filtered through the political process and were hence subject to government failure.

Moreover, the radical change in the climate of ideas that Harris and Seldon helped implement was not confined to the Conservative governments of the 1980s and the early 1990s. The Labour Party was left high and dry: it became unelectable, as Seldon had foreseen in 1980, when he said, "Labour as we know it will never rule again."⁷ To restore its electoral fortunes, the party had to be gradually and painfully transformed from "Old Labour" into "New Labour," which accepted the bulk of the Thatcher reforms—namely, the benefits of consumer choice and the virtues of competition.

Similarly, the ideas of Harris and Seldon and the IEA, as well as the subsequent liberalizing program of the Thatcher administrations, were influential outside Britain, having an important international demonstration effect. Governments around the world came to acknowledge the benefits of market solutions and to apply them, as did the major international institutions in their dealings with developing countries. The most obvious symbol of this liberalizing trend is the privatization movement, which began in Britain, spread to many other developed countries, and has now extended to much of the developing world.⁸ As a result of the changed agenda, most politicians and civil servants in the developed world, and most officials in the international institutions, now proclaim the virtues of markets, even if their conversion is as yet incomplete.⁹ According to Milton Friedman, "The IEA's influence has not been confined to the United Kingdom. Its publications and the able group of scholars who became associated with it contributed greatly to the change in the intellectual climate of opinion around the world."¹⁰

Another important by-product of the IEA's influence was the establishment in other countries, including the United States, of numerous think tanks that promote the cause of economic liberalism and form an integ-

7. "Socialism Has No Future," letter to the *Times*, 6 August 1980. See also Arthur Seldon, *Corrigible Capitalism, Incurable Socialism*, this volume, pp. 35–36.

8. A useful review of the progress of privatization is an annual survey by the Organisation for Economic Co-operation and Development, which analyzes privatization programs around the world. The survey is published as "Recent Privatisation Trends" in the annual June issue of the OECD's *Financial Market Trends*.

9. David Henderson, *The Changing Fortunes of Economic Liberalism: Yesterday, Today and Tomorrow*, IEA, Occasional Paper 105, 2d ed., 2001.

10. *A Conversation with Harris and Seldon*, p. 71.

ral part of the international movement for continuing economic reform. There are now more than one hundred such organizations in seventy-six countries.¹¹

Arthur Seldon's Written Work

Despite the amount of time that Arthur Seldon spent on editing the work of others—he edited about 350 papers during his time at the IEA—he has a large output of published work, consisting of twenty-eight books and monographs and about 230 articles. The highlights of this output are gathered in the seven volumes of these Collected Works. Jointly authored works have been omitted, with one exception—the *Dictionary of Economics*, written with Fred Pennance, the second edition of which was very much Seldon's work and which forms volume 3 of the Collected Works. A full bibliography of Seldon's publications, including the jointly produced papers, is in volume 7. A contents list for each of the seven volumes of the Collected Works is found at the end of this volume.

Arthur Seldon began publishing when he was only twenty-one. The earliest paper included in this collection (in volume 2) is from 1937, from the *Clare Market Review*, the LSE students' journal, and is a review of W. H. Hutt's *Economists and the Public* written when Seldon was twenty-one.¹² Seldon's subsequent publications, as can be seen from the bibliography in volume 7, range from books to short newspaper articles. In addition, he composed a large number of prefaces and introductions to IEA papers, and a collection of some of his prefaces (*The Making of the Institute*) is included in volume 7.

Viewed as a whole, Seldon's published work is a major contribution to classical liberal thought, covering to date no less than sixty-five years, from his first paper in 1937 to his most recent in 2002. Seldon's oeuvre covers a wide range of subjects as well. His early interest in pensions and reform of the "welfare state" has already been mentioned. Those subjects have been recurring themes in his work, and so two volumes of this collection are de-

11. Richard Cockett, *Thinking the Unthinkable: Think-Tanks and the Economic Counter-revolution, 1931–1983*, HarperCollins, 1994, discusses the development of some of these institutes.

12. "The State v. the Market: Socialism v. Capitalism," in *The State Is Rolling Back*, Economic and Literary Books, 1994, pp. 3–9 (reprinted in volume 2 of these Collected Works).

voted to them: Volume 4 includes his papers on charging for “public” services and the contribution that vouchers can make, and volume 6 deals with pensions, health, education, and other aspects of the welfare state.

The problem of over-government has also been a concern for Seldon from the beginning. For him, public choice theory shone a light on the reasons why government tends to encroach on voluntary activity and why government action cannot reasonably be assumed to be the work of wise and disinterested servants of the public good. The collection of his short articles, written over many years, entitled *The State Is Rolling Back* and published here as volume 2, shows how his arguments for rolling back government developed while still retaining the same core of economic principles. Similarly, volume 5 includes some of Seldon’s most powerful pieces on government failure and how citizens should and will try to escape from big government.

Volume 7 includes papers on the IEA, on the London School of Economics, and on the influence of ideas. Of the two remaining volumes: volume 1, *The Virtues of Capitalism*, is dealt with at more length below in the introduction to volume 1, and volume 3 is in a slightly different mold from the rest and includes the previously mentioned *Dictionary of Economics*.

Each volume of *The Collected Works of Arthur Seldon* begins with an introduction that draws attention to the principal features of the included works and fits them into the context of Seldon’s works as a whole. Within each volume, the works appear in the order in which they were published. The volumes are individually indexed, and volume 7 includes an index for the collection as a whole.

Seldon’s great gift, seen in his writings, was his ability to absorb the literature of economics, synthesize it in his own mind, and then distill it in his publications into a form that could be understood by a wide audience, not just by technically trained economists. From the beginning he detected the fallacies of socialism and appreciated the benefits of capitalism. Despite the changing fashions of economics, he expounded these truths relentlessly.

Colin Robinson
January 2003

BIOGRAPHICAL NOTE

Arthur Seldon was born in 1916 in the East End of London. When the shadow of the Spanish 'flu darkened the world in 1918, both his parents died leaving five children under eleven. Arthur was adopted by a childless cobbler and his wife, which he describes as the first of his lucky chances in his life. Another was meeting Antony Fisher and Ralph Harris and continuing his life's work at the Institute of Economic Affairs.

He is surprised when anyone calls his childhood among the poor streets of London "deprived," because, he says, he had the most important asset, the devoted love of adoptive parents. Harder times than helping with selling repaired boots at a Saturday morning market in the Whitechapel Road outside the Watney, Combe Reid Brewery were to come.

When he was eleven his adoptive father, the family bread-winner, died and the widow's financial assets became the £100 from a Friendly Society. She consulted neighbours, the usual source of advice before the advent of "counsellors," and began to make a meagre living from selling lisle stockings at 1s. 11¾d. from the front room at their home in Oxford Street, E.1, later destroyed by bombs.

Some years later she married, "for Arthur's sake," an elderly tailor with a workshop of five people who was relatively prosperous—until the 1931 Depression, when the payment from the retail shops for making a jacket was reduced by a third from fifteen shillings to ten shillings and sixpence.

At eleven Arthur passed from the Dempsey Street Elementary (state) School to Raine's Foundation (grammar) School in Arbour Square off the Commercial Road. There he was influenced by the sixth form economic history master who taught him about the state regulation of economic life in the

Reprinted with permission from Marjorie Seldon, *Letters on a Birthday: The Unfinished Agenda of Arthur Seldon*, Highland Press for Economic and Literary Books, 1996 (printed for private circulation).

Middle Ages mercantilist system and the contrasting philosophy of classical liberalism. When his pupil in 1934 won a rare State Scholarship, he advised him to take it at the London School of Economics. There an economist lately arrived from Austria, Professor F. A. Hayek, was teaching economic liberalism, then in the ascendant under Professor Lionel Robbins, against the influence of the famous and influential economist Keynes at Cambridge.

Arthur's undergraduate days at the LSE led to an enduring belief in the supremacy of markets over government in delivering prosperity and diminishing poverty among the ordinary people. Price-less goods and services, those supplied "free" by government but paid for by taxes, would do neither. From Hayek, Robbins, and his tutor Professor Arnold Plant he learned about famous liberal economists in other countries, such as Mises of Vienna, Knight of Chicago, and Wicksell of Sweden. But he was not influenced by Sidney and Beatrice Webb who had founded the London School of Economics in 1895. After their visit to Russia in 1935, the Webbs argued that communism was a new civilisation that would supply the needs of the common people.

A First Class Honours degree in 1937 earned Arthur the post of Research Assistant to Plant until he was called up to Army service in Africa and Italy. There he noticed and wrote to Plant about the waste and inefficiency of large-scale distribution of food and clothing without prices.

Demobbed, he sought out Beveridge when studying pensions for a Liberal Party Committee on the Aged in 1947–8. He later wrote papers for the IEA warning that the National Insurance Fund would be misused by government short of revenue from taxes and in time the taxpayer would have to pay the state pensions.

This was one of his occasional "predictions" about economic developments (below). Beveridge, author of the famous 1942 Report on the social services and a former Liberal MP, had recommended that the post-war state pension should not be paid in full until the Fund had been built up over 20 years.

During the following years Arthur tutored Plant's part-time students in the Commerce Degree Bureau, was appointed an LSE staff examiner, and worked as economic adviser in the policy-forming central council of the brewing industry headed by the war-time famous Air Force Marshal Lord Tedder, Deputy to Eisenhower in the invasion of Europe. Arthur recalls that Lord Tedder was sceptical of the tied house system in the restrictive licensing after 1870.

In 1956 he was approached by the Liberal Lord Grantchester, who had

been given his name by Plant, about whether he would join the new Institute of Economic Affairs to run its academic work and build a reputation divorced from Party politics.

In January, 1957, the Institute, begun in 1955, was reorganised with Ralph Harris as General Director and Arthur as part-time Editorial Adviser and working on several projects until he could join full-time. He wrote its first Paper on pensions in 1957.

The Harris-Seldon Institute, which became known as the IEA, opened on a slender financial string with an office in a basement in Hobart Place, S.W.1. Proselytising was not the aim, which was rather to deliver authoritative and well-digested economics for the general reader and opinion formers.

The history of the Institute, its operation and influence, is documented in Richard Cockett's *Thinking the Unthinkable*. The title well describes Arthur's commissioning of young, unknown authors to write on neglected problems requiring new solutions. *The Price of Blood*, for example, had a surprising origin. Arthur's rare absence from IEA work, in 1964, was caused by an operation on a duodenal ulcer (a procedure now obsolete). A haemorrhage after the operation required an urgent blood transfusion. Through a nearly fatal oversight, blood of Arthur's unusual group was not available in the small hospital in central London or in neighbouring large hospitals. After a hurried search, the required blood was finally found just in time many miles away. A bus-driver in Edgware was a donor of the required blood-type.

Eventual recovery found the patient turning his mind to finding an economist to write on new ways to increase the supply of blood.

It was one of Arthur's axioms that his authors should not dilute strong economic arguments by fretting about what might be "politically possible." If an author had been working on an important subject that had been neglected he was invited to write for the Institute even if he did not entirely share the IEA interest in finding new market solutions. Douglas (later Lord) Houghton, a member of Wilson's Cabinet in 1964 who retired in 1967, wrote a Paper, *Paying for the Social Services*, on how tax revenue would not be enough to keep up the welfare state benefits so that people would have to pay as consumers. And other IEA Papers by authors of varied political sympathies enabled the Trustees of the Institute to fend off assaults against its charitable status.

Arthur's writings contained occasional predictions. In 1979 after Mrs. Thatcher's victory he told a sympathetic journalist "Labour as we have known it will not rule again." In 1981 in an IEA Paper he wrote that Russian communism would not survive the century and that China would go capi-

talist and asked a Chinese economist then in the USA to discuss how the process might take place. Recently he has been writing that the rejection of onerous taxation, and its corollary the increasing cash economy, was being under-estimated by governments everywhere. It would lead to falling revenues, destabilising government expenditure and forcing it to withdraw from subsidising welfare as people use their “underground” cash to buy better services than government can provide.

The IEA’s work was publicised and reinforced by Arthur’s periodic articles in *The Daily* and *The Sunday Telegraph*, *The Times*, and other newspapers and magazines. Some were reprinted in his 1994 book, *The State Is Rolling Back*.

He is now working on *Democracy* (Blackwell, 1997).

M.S.

2 July 1996

INTRODUCTION TO VOLUME 1

The principal work in this first volume of The Collected Works of Arthur Seldon is what many people consider to be his finest piece—*Capitalism*. It is, as Seldon's preface¹ makes clear, not a defense but a celebration of capitalism, a wide-ranging book that embodies many of the ideas he developed over a long period. In 1991 *Capitalism* won the Antony Fisher Award from the Atlas Economic Research Foundation.

Corrigible Capitalism, Incorrigible Socialism

Capitalism is preceded by a shorter paper, published by the IEA ten years earlier, "Corrigible Capitalism, Incorrigible Socialism," which is an important precursor, setting out in concise form much of the analysis later elaborated in *Capitalism*. "Corrigible Capitalism" grew out of a paper written for the New Zealand Employers' Federation, entitled *A Credo for Private Enterprise* and presented to a February 1980 conference in Auckland. Seldon's dedication of the IEA version of the paper, "To Capitalists in All Economic Systems and to Socialists in All Parties and All Continents," is significant, echoing Hayek's dedication of *The Road to Serfdom* to "socialists of all parties."²

As the title of the paper suggests, capitalism is, like all human institutions, a system with faults. Its critics are blinkered because they concentrate on capitalism's apparent deficiencies, failing to understand the corrigibility of capitalism. Capitalism is redeemable: its faults are capable of being corrected, and indeed the capitalist system is "adaptive" in the sense that it contains automatic corrective mechanisms. It enforces its own disciplines

1. See p. 55.

2. F. A. Hayek, *The Road to Serfdom*, University of Chicago Press, 1944.