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ADDRESS TO SOUTH AUSTRALIAN STATE COUNCIL  
DELIVERED FOR THE PRIME MINISTER BY SENATOR CHANEY

The Philosophical Basis of Liberalism

At the conclusion of his address to Parliament last week, the Governor-General indicated that the Government believes that it is important to explain to the Australian people the philosophy which shapes its policies and actions. This seems an excellent opportunity to make a start.

In doing so, I begin by making the point that, while the emphasis on explaining the philosophy may be new, the philosophy itself is not. Liberals have always had a set of beliefs providing the underlying rationale of their policies and giving them coherence. But we have not always spelled out those beliefs, those assumptions which inform and give direction to our policy decisions. We need now to remedy that defect, to articulate our often unspoken major premises - unspoken simply because Liberals have taken the truth and importance of those premises to be self-evident. To us, they remain self-evident; but to many they remain largely unknown. And because they are largely unknown, the policies that flow from them are not fully understood. And because of that, we Liberals have made harder - unnecessarily harder - the task of winning and keeping not just the votes of the people but, even more important because more enduring, their understanding support throughout the life of the Government.

So we need, not to fashion a new set of beliefs, but to explain more consciously and carefully and often than we have in the past the philosophical basis that has always underlain our actions. What that basis is I shall come to later in this address. Suffice it for now to say that perhaps the most fundamental of the Liberal's beliefs is the right to the freedom to choose. From that belief comes our commitment to a private enterprise economy, which not only gives us the freedom of economic choice, but itself requires the freedoms without which we could not have innovation, technological progress, risk-taking, the saving and investment of capital - all the things necessary for a flourishing, competitive, free enterprise economy. From that belief too comes our commitment to economic growth, which increases not just our freedom of economic choice but also, and perhaps even more importantly, the range of opportunities open to us to live a more satisfying life - and not in the material sphere alone.

And finally, it is that belief in the right to the freedom to choose which distinguishes most clearly and directly our own open, expanding, caring, co-operating society from the grey, imposed, and shut-in collectivity of the Socialist state.

### Events and Ideas

In talking about the philosophical basis of liberalism, I recognise two things at the outset. First, all governments, except the fanatically ideological and dogmatic, have to be responsive to events and circumstances, to be reactive to a considerable extent. To attempt to govern from a blueprint is a recipe for disaster; indeed this is the essential case against central planning. But if governments are not to be merely the prisoners of events and circumstances, if they are to hold out the vision of a better future and to convey a sense of purpose, they have to embody beliefs, to reflect those beliefs in their policies and to convey them successfully to the people who elect them to govern.

Second, I recognise that many people - and perhaps business people in particular - tend in the name of practicality and what they call pragmatism to downplay the role of ideas and principles in politics. They tend to see that role as part of the side-show of politics, something engaged in by men of words rather than of action, something which is ultimately not "real".

I believe that this attitude is profoundly mistaken. While I disagree with much of what is now known as "Keynesianism", I believe there is great truth in John Maynard Keynes' observation that:

"The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood ... practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist... soon or late, it is ideas, not vested interests, which are dangerous for good or evil."

How well a social or economic or political system works, its prospects for surviving, depend not merely on how efficiently or rationally the bits and pieces are arranged. It is not a machine. It is a cooperative enterprise involving men and women, and its success depends crucially on their understanding of it, their attachment to it, their commitment to the philosophy which animates it and gives it meaning. The enemies of the free society recognise this well enough and ceaselessly work to undermine the philosophical foundations which sustain that society and give it legitimacy. It is time that its supporters also recognised this and act accordingly. Indeed, throughout much of the Western world this is now appreciated and a vigorous and intellectually powerful defence of the free societies of the West is under way, a defence which takes into account the great social changes of the last generation. I believe that committed Australians must join in this defence.

### Liberal Principles and Values

As its name implies, ours is a liberal Government holding liberal principles. It believes, that is, that to the maximum extent compatible with a cohesive and stable society, people should be free to make their own decisions concerning their lives and the disposal of their own resources. It believes that society is healthier and the lives of people happier when responsibility, enterprise and power are spread widely through the community, rather than concentrated in one or a few places. That is the ideal to be aimed for and any deviation from it requires special justification.

My Government believes in the virtue of the free competition of ideas, opinions, services and goods within an ordered community.

It rejects the notion that the relationship between the people and the State should be like that between customers and the supermarket - that because something is considered desirable it should be assumed automatically that the State should provide it. The Government rejects that notion for two reasons: first, because the State is likely to be in many ways an inefficient and wasteful provider and because many services can be better provided in other ways - by voluntary action on the part of individuals joining together freely, and by the mechanism of the market. Second, and fundamentally, because the more you ask of the State, the more power you must give it. If your demands on it are unlimited then you must logically give it unlimited power.

Liberalism is fundamentally opposed to this. It believes that even when the State is a democratic one, even when it can claim to represent the will of the majority, to concentrate too much power in it is bad and dangerous. This is because, once given and whatever the promises made when it is given, there is no surety as to how that power will subsequently be used. Power, as a great liberal once said, tends to corrupt and absolute power corrupts absolutely. It is also important to remember that even if a Government does use its power in ways that the majority approves, there are still the interests of minorities to consider (and we all, in terms of some situation or some issue, find ourselves in a minority; minorities are not simply other people).

Liberals believe that it is vitally important - not in terms of abstract doctrine but in terms of the quality of life which is lived in a society - that the power of the State should be limited and contained. This needs to be done by the traditional methods of checks and balances and the separation of power within Government - and, in a Federal system, among Governments. It also needs to be done by maintaining vigorous, healthy centres of power and decision-making outside Government; and, perhaps most important of all, by restraining the claims we each of us and collectively make on the State.

### Private Enterprise System

It follows that, as part of its liberalism, the Government is fundamentally committed to a private enterprise economic system. In saying this I am not, of course, talking about the completely unrestrained laissez-faire, "robber baron" form which capitalism sometimes assumed in the nineteenth century. I refer rather to a system, which, while recognising the necessity for restraint and a degree of Government intervention, is premised on the belief that what produces the best economic and political results is an economy based on private property and income, in which normal economic activity consists of commercial transactions voluntarily entered into by individuals and groups.

Capitalism in practice is full of imperfections which can be legitimately criticised. Measured by standards of Utopian perfection it falls short, as does every other system devised by man. But measured against any other system on offer, or against the pre-capitalist past of Western societies, its superiority is clear.

From the beginning the private enterprise economy carried with it two promises. First, it promised continued improvement in the material conditions of the whole people, a promise that was without precedent in human history. It has kept that promise. Under it, the lot of the mass of the people has improved immeasurably. For the first time in history, poverty and deprivation have become the exception rather than the rule. This capacity to improve the conditions of ordinary people is not historically exhausted or diminished. Indeed, over the last thirty years private enterprise has been responsible for an unprecedentedly rapid rise in affluence in Western countries. Remind yourselves of the lives our parents and grandparents lived, remind yourselves of the things which we now take for granted but which they considered luxuries to be striven and hoped for. The change has been revolutionary in character. Moreover, the gains are not restricted to Western countries. For the private enterprise system has also allowed those developing countries which have embraced it most thoroughly to make enormous strides, even though many of them had little in the way of natural resources on which to base their development.

The private enterprise system has this demonstrated capacity. But my Government believes that even if it did not, even if its record in generating wealth was no better than that of other systems, it would still be greatly preferable to them. For the private enterprise system carried with it a second promise, the promise of much greater freedom for those living under it. And this promise too has been kept.

There is an indisputable link between a private enterprise economy and political liberty. It is important that that link be properly understood. A free economic system based on private property and income does not in itself guarantee political liberty. There are unfree States with private enterprise economies. But if private enterprise is not a sufficient condition for political liberty, it is surely a necessary one. All the countries in the world which enjoy political liberty also have essentially private enterprise economic systems. On all the evidence available it is not possible to sustain political liberty without substantially free economic systems.

It is important to understand why this is so. There are, it seems to me, two things which explain it. First, political liberty depends not on the good intentions and promises of the Government but on the fact that countervailing powers exist within society which set limits to the reach of Government, in practice if not in law. Such powers are ensured by the institutions of a private enterprise society, which include not just companies and private property but also free trade unions and the right to sell one's labour freely.

Secondly, a private enterprise economy by its nature demands that a whole range of activities by individuals be free activities. It spreads throughout society the habits of free activity - the ownership of property, the disposal of one's own income by freely-made decisions, the right to decide between security of employment and the risks and rewards of entrepreneurship, the freedom to enter into voluntary contracts. People who are free in these respects expect to be free to organise their lives in other respects and resist efforts to circumscribe that freedom.

To recognise this is not, of course, to maintain that completely unregulated and uncontrolled private enterprise is desirable or possible. Governing a country is a more complex business than managing a company and, outstandingly important as it is, economic prosperity is only one of the concerns of Government. What is economically most desirable has to be weighed in the balance against other goals and in some instances has to give way to them. As Liberalism has always recognised, various freedoms have to be balanced against each other and some have to be restricted in order that others can be sustained and enlarged. Even in the economic realm itself Government has a role to play in maintaining the conditions of free competition and preventing monopoly. Above all, every society has to act to protect itself against forces which challenge the very basis of its existence. But when this is allowed for, there is still a major difference between those whose attitude towards private enterprise is dominated by suspicion, hostility and the desire to curb, and those who believe that, as private enterprise is basically conducive to both prosperity and freedom, the proper role of Government is to be as supportive of it as circumstances and other aims permit.

## Conservatism

I have stressed the commitment of the Government to liberal principles and values. Precisely because of that commitment it is also concerned to conserve and protect those principles and values. Once liberal institutions are installed in a society, a Government which wishes to preserve them must be in some sense conservative. But it is important to stress that in this context conservatism is not about the guarding of privilege and inequality but about maintaining the open, liberal society against both internal and external threat.

At the same time, however, there is always a certain tension involved between liberalism and conservatism. Liberalism always emphasises the freedom of the individual and the absence of restraint. In its extreme form it becomes libertarianism and denies the need or efficacy of any constraints on freedom. Conservatism on the other hand stresses the need for a framework of stability, continuity and order, not only as something desirable in itself but as a necessary condition for a free society. It believes that, without that framework, the cohesion and predictability necessary for people to engage in meaningful free activity would be lacking. The art of handling this tension, of finding that creative balance between the forces of freedom and the forces of continuity which alone allows a society to advance, is the true art of Government in a country like ours.

It is important to bear all this in mind in contemplating one of the striking political phenomena of our time, the resurgence of conservatism as a philosophical position in the Western democracies. In the view of the Government, that response does not represent a passing fashion or trend but a considered and serious realisation that central institutions and values are under threat. It is a reaction to two phenomena.

First it expresses the accumulated disillusionment which has grown in these communities concerning Socialist and radical Left doctrines which have long claimed intellectual and moral superiority, but which, having been put to the test, either do not work at all or produce unintended consequences which outweigh their supposed benefits. Planning which creates confusion and waste; ill-conceived welfare schemes which create monstrous bureaucracies, high taxes and high inflation; nationalised industries which fail to deliver the goods or services they were established to provide while making increasing demands on the taxpayer for support; attempts to help minorities which succeed only in creating a new dependency; a concern for the environment which degenerates into ritual and dogma - these are among the effects of those doctrines.

Secondly, this resurgence of conservatism expresses a concern to maintain continuity and coherence, to restore human control, in a world which has been subjected to massive and rapid changes. And the changes which Western societies have experienced in the last 30 years have indeed been massive. I have already referred to the unprecedented increase in affluence, which of course entails great changes in life styles. In the same period we have witnessed mass tertiary education for the first time in history; a profound change in relation between the sexes and in the institution of the family; changes in the relations between the generations; a new attitude towards our physical environment, towards minorities, towards moral standards. One could go on multiplying examples.

The new conservatism is largely a response to the challenge posed by all this. It is not a frightened response, not reactionary, not a "radical right" phenomenon - though there are attempts to confuse it with that. The new conservatism is not opposed to change as such. On the contrary, it is concerned to allow it. But it is concerned that the process of change should not proceed in such a headlong and illconsidered fashion that it yields unexpected and undesired consequences, rather than welcome ones. It is concerned to preserve continuity, to ensure that hard-won gains are not carelessly lost, to integrate elements of the old and the new. It is concerned to ensure that, while the enterprise of those who initiate desired change is encouraged, those who suffer loss as a result of it - either materially or spiritually - are given some protection and help to adjust to new circumstances. To the extent that this Government is conservative, it is so in these senses and for these reasons, not because it is concerned to protect privilege and inequality.

#### Summary

I have set out what are the central principles and values of the Government. Let me briefly sum them up.

- . The Government is concerned to maximise the degree to which people have control over their own lives and their own resources, to ensure that it is their choices which are decisive, not those of politicians, of bureaucrats or union officials or corporations.
- . To this end the Government is concerned to limit the role and reduce the power of the State, and as part of that to restrain taxes and to contain public expenditure. The State must remain the servant, not the master, of the Australian people.
- . The Government is committed to supporting and strengthening the private enterprise system in Australia - both because it believes that this system is the one that can best develop Australia and ensure its prosperity, and because it is that system and that system alone which is compatible with a free, liberal Australia.

- . Last, in an age of turbulence and innovation, the Government is concerned that the process of change shall be a deliberate and considered one and that those things which most Australians value highly are not lost or damaged in the process.

These are the principles which will guide the Government over the next three years. I stress the word guide. What I have outlined is not a dogma or a creed to be adhered to regardless of circumstances. In times of great complexity, the supreme virtue of Government is not slavish adherence to a creed, but good judgement and balance, which enable the diverse and sometimes competing creative forces in society to contribute to the general welfare.

In concluding I return to the point I made at the outset: that these philosophical questions are not peripheral ones, not, as parts of the press have sought to present them, a matter of PR. They are central and we will ignore them at our peril.

I began by quoting Keynes. I end by quoting another great economist and political philosopher, the Nobel Prize winner Professor Hayek. Hayek writes:

"Those who have concerned themselves exclusively with what seemed practicable in the existing state of opinion have constantly found that even this has rapidly become politically impossible as the result of changes in a public opinion which they have done nothing to guide. Unless we can make the philosophical foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark."

I say amen to that.