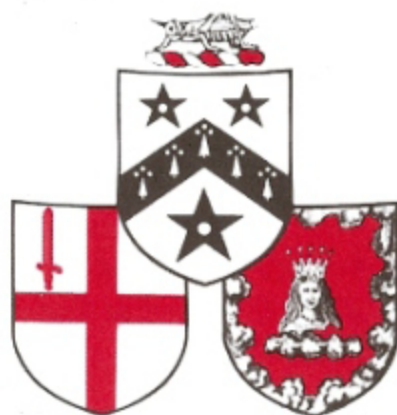


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C O L L E G E



Gresham Special Lecture

The Decline of Socialism

delivered by

Sir Ralf Dahrendorf KBE FBA

at the Church of St. Lawrence Jewry-next-Guildhall

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The Decline of Socialism.

Given by

Sir Ralf Dahrendorf, K.B.E., F.B.A., Warden of St. Antony's College, Oxford, in the Church of St. Lawrence Jewry - next - Guildhall on 25 May 1989.

The strange death of liberalism as a pervasive and dominant political movement happened in one brief if eventful decade, between 1910 and 1920. Suddenly, the force of reform which had grown in strength and influence throughout the 19th century began to flag. Some of the reformers had grown tired and turned to the defence of new-found opportunities as privileges, others made way for a new movement of social promise, most became anxious and vulnerable. The result, looking at the world as a whole, was not an orderly succession from Liberals to, say, Social Democrats, but a long period of confusion, violence and turmoil. Liberalism had many heirs, some more unsavoury than others.

Analogies are deceptive, nowhere more so than in history. However, the 1980s have seen the collapse of another historical movement, socialism. The process was if anything more dramatic than that of the decline of liberalism. It swept the world, from the poor to the rich, and it has left a void which defines what might well become the major theme of the 1990s and beyond.

In the Third World, socialism was the dominant ideology ever since this world emerged from the shadows of colonialism. Some have argued that this socialism was imported from Britain. Senator Moynihan wrote a famous article in the 1970s called, "The United States in Opposition", in which he claimed that the built-in socialist and thus anti-American majority in the United Nations had been educated at the London School of Economics. He forgot to mention that he himself was a student there as well, along with such eminent "socialists" as David Rockefeller and John Tower, all taught by the great economics professor (and author of the most incisive recent attack on "the errors of socialism"), Friedrich von Hayek. Probably, the Second World and notably the Soviet Union, had as much to do with Third World Socialism as the L.S.E. There was an understandable bias in the Third World against the old colonial powers as well as the new superpower USA, and thus the new rulers, educated as they were in Paris and London, Cambridge, England and Cambridge, Massachusetts, sooner or later turned to Moscow, and in some cases to Peking, for expertise, for arms, and for political support. This did not help their economies, but it sustained the new rulers, and it did so for a quarter-century or more.

However, the illusion of power without strength did not last, and it crumbled in the last decade. When Edward Seaga was elected Prime Minister of Jamaica eight years ago, observers were still surprised. Today, nothing is surprising any more. The other day I had a letter from the Ambassador of Burma to Britain. The letterhead said, "Embassy of the Socialist Republics of the Union of Burma"; but the ambassador has crossed out the words "of the Socialist Republics". Many, including such "model" socialist states as Tanzania, have preceded this change; Cambodia has followed, and no doubt others will. When Seaga lost the recent election in Jamaica, and his predecessor Michael Manley returned, the erstwhile socialist presented himself as a changed man who immediately assured the world that he loved

America and would continue to promote market solutions to economic problems. Now that even President Ortega of Nicaragua tours the world to reassure potential trading partners of the pluralist and undogmatic economic policies of his country, Cuba looks like a strange relic of a bygone age, ineffectually propped up by an unwilling Soviet Union.

And how could the Soviet Union be willing? The most dramatic signs of the collapse of socialism are those in the two great socialist empires, the USSR and China. It cannot be said too often: if anyone had shown us a current newspaper even ten years ago, we would have considered it a fabrication, a practical joke, and certainly beyond the realm of the possible. Leading Russians send their apologies to international conferences on the grounds that they have to campaign for election; members of the nomenklatura are attacked on television by prosecutors who are also candidates for the Congress of People's Deputies, active and organized groups campaign for more market solutions; students of the Karl Marx Institute in Budapest write glowing dissertations about Hayek. To be sure, the word socialism, is still used; but other notions now capture the imagination of the voters of Leningrad and Gdansk, and the students on Tienanmen Square, notably democracy. There can be little doubt that a system of politics and economics which has dominated many decades, is now abandoned because it has failed.

The repercussions of such developments in the First World, in our own O.E.C.D. countries, are many. One of them is that here too, socialism has changed, indeed lost its meaning. The other day the Italian Communist Party invited me to stand as an Independent on their list for the European Parliament. Why me, a declared, unreconstructed and quite unambiguous liberal? Because, they said, the age of ideologies was finally over. They wanted to prove the earnest of their pluralism by having not only a multinational, but also a multipolitical list. (They had already recruited the French political scientist, Maurice Duverger, who is anything but a socialist). I declined, but added the experience to those others which all of us have. The Italian socialist leader, Bettino Craxi, was hardly a socialist when he was prime minister; he might well be called, like Felipe Gonzales of Spain, a "Thatcher of the left" (whatever that means exactly). Prime Ministers Hawke of Australia and Lange of New Zealand belong in the same category. Elsewhere, socialist parties have reviewed their politics until they have become unrecognisable to their erstwhile supporters. The word, socialism, not only no longer wins elections, but positively loses them almost everywhere.

What happened, and why? And what will be the force of the future? Hayek, in his recent book on The Fatal Conceit to which I alluded, argues that socialism was doomed from the outset. It was wrong about the facts of man and society, and it therefore not only failed but threatened the very survival of those who lived under its influence. There is much to be said for this argument. Above all, socialism was one of those "systems" which stepped into the void left by the death of liberalism and promised total solutions. Total solutions never work. They usually serve as an excuse for the rule of a minority which claims to provide the answers if not today then after a suitable, and usually unlimited, transitional period. This is where the "dictatorship of the proletariat" had its place. The other great liberal political philosopher of the London School of Economics, Karl Popper, demolished such views once and for all in his secular book, The Open Society and Its Enemies, and in the essays on The Poverty of Historicism, in which he taught us to live with uncertainty and settle for gradual change.

But the theoretical refutation of socialism leaves us with the question, why is it that so many regimes proudly used the term for so long? Socialism had its place in the history of our century, and it would be simplistic to describe this as merely a place of misery and decline. Perhaps it is useful at this point to look at the milder versions of socialism which have left an indelible mark on the developed countries of the world. They were of course the theme of dominant social conflicts over the last hundred years. Put in the simplest language, the progress of capitalism left many behind who waited in vain, or at any rate too long for the blessings of the new found wealth to trickle down to them. They demanded their own place in the sun, and they wanted it now. The method they preferred was, redistribution. The notion is vexing because in practice, redistribution rarely happens. What does happen however is, first, that governments assume a major role in the process of economic development, and secondly, that the range of equal entitlements for all is extended. Keynes plus Beveridge as it were, if it is not too misleading to identify two of the great Liberals of the century with socialism; Big Government and the Welfare State at any rate.

I am still talking about the developed democracies of Europe and the temperate Commonwealth. The United States raises a different set of questions. In 1907, the German social economist Werner Sombart wrote a little book called, Why is There No Socialism in the United States? The most compelling of his answers was that in America collective action to advance individual life chances was unnecessary, because the open frontier meant that individuals could satisfy their aspirations by their own efforts. In any case, a sufficient number could to keep the American dream alive. There was, as it were, no such thing as society, there were only individual men and women. The point is important even if it describes only part of the American reality where since the 1930s government intervention and the welfare state have grown as well. What Sombart has demonstrated is that it takes certain rigidities of social structure - of class - to bring about political movements which demand socialism, and that there can be another way forward.

In Europe however, this other way was not, and given the social history of countries, could not be chosen. Instead, collective action provided the conditions in which state economic policy, public ownership, increasing taxation, social politics were developed. Politics in Industrial Society (to quote the title of an important book by Keith Middlemas) is not simply the expression of social conflicts; the two wars and the great depression played a significant part in the process. But in the end even Winston Churchill felt, with his characteristic sense of historical forces, that "we must let socialism run its course". In a sense it did, right into the 1970s.

Decades are arbitrary divisions of historical time, thus crutches for negotiating the path of analysis. Still, I would argue that the 1970s had a lot to do with the demise of socialism. The main reason is that during those years, the necessary and in many ways desirable social changes of the century went over the top. Keynesian economic management became Big Government, and Beveridgian social security became Overpowering Bureaucracy. The social movements of the century had turned into recognized, not to say established, interest groups, which became a part of a corporatist ball of wax. The American economist, Mancur Olson, turned the experience into a theory of secular gloom and doom when he suggested, in his Rise and Decline of Nations, that social rigidities were bound to lead to the scourge of the 1970s,

stagflation, and worse, to a kind of social entropy which could only be dispelled by revolution or by war. He was too gloomy, although what may come to be called the perestroika of the 1980s is certainly on the borderline between reform and revolution.

The point of such allusions and comments (which I have developed in some detail in my recent book The Modern Social Conflict is simple. There was a case for adding entitlements of citizenship to the provisions of capitalism. The process had its ups and downs and its own cost; it was often painful and sometimes unbearable; but it can be seen as a part of the fulfilment of the promise of modernity. However, like all great historical processes, it reached the point at which the cost exceeded the benefit. Yesterday's solutions created tomorrow's problems. Suddenly, and in many places at roughly the same time, the demand for initiative and individual opportunity arose from those whose opportunities were held down by the rigidities of corporatism. The uncertainties of the market held out more promise than the deceptive certainty of the next government plan. Schumpeter the theorist of entrepreneurship prevailed over his contemporary, Keynes, the theorist of government as the guarantor of effective demand. Bureaucracy, which had for some time been the epitome of professionalism, became a dirty word, a word for immobility, control, dependency. Even the welfare state turned from a hope into a threat.

If these are the circumstances which made a change in the political climate of the OECD world almost inevitable, they do not explain why it is that the demise of socialism became a world-wide experience. To approach such an explanation we have to consider the role of socialism in the process of development, using this term both for social modernization and economic advancement. It has taken a long time for the obvious fact to sink in, both among intellectuals and among leaders of liberation movements, that the Russian Revolution of 1917 was not the transformation of a capitalist society into something else, as predicted by Marx, but a modern version of the great 18th century transformations, the French Revolution and the Industrial Revolution. Despite the lingering hopes of disenchanted intellectuals, the Russian Revolution had little relevance to the developed world; right up to the recent past. It was an attempt to substitute for the traditionalism of authoritarian rule and pre-industrial production, a method of modernization which promised to be quick and effective, and to avoid some of the cost of Europe's revolutionary upheavals and economic miseries. Modernity without Napoleon and the gin houses, as it were, was the promise of socialism in the developing world, including Russia and China. In fact the peoples of the Third World got both, dictators and poverty. But that is rushing ahead.

Clearly, the revolutions of Russia and China and their numerous imitations in the Third World did the destructive part of the trick. Old ruling groups were eliminated in often cruel ways. The "harvest of sorrow" in the Ukraine and beyond (to use Robert Conquest's term) and the Chinese Cultural Revolution are two unforgettable examples, though the names of Idi Amin and "Emperor" Bokassa and Pol Pot and other Third World "modernizers", often in the name of socialism, will not be forgotten either. The destructive part of the process did lead to a flattening of inherited social hierarchies and the creation of the institutions (though often merely the trappings) of modern states. It also created certain conditions of modern economic development, elements of infrastructure (though often more symbolic than useful), generalized education (though often for purposes of mobilization as much as skilling), large industrial complexes (though often geared to state, above all military, rather than consumer-good purposes). But the process

failed to bring about the two key features of modernization in the West: political participation and economic initiative, the citizen and the entrepreneur. Instead of participating citizens, a nomenklatura of functionaries came into being and instead of economic initiative a gigantic machinery of planning. The two go together, of course. They constitute the bureaucratic monstrosity which finally ground to a halt in the Soviet Union under Breshnev, and which to many has come to be synonymous with socialism.

Clearly, this socialism does not work. It is modernization without modernity, a promise made by institutions which are geared to denying its fulfilment. Arguably, the hand of a Breshnevian planning bureaucracy can become so heavy that it is almost impossible to dislodge. It would be foolhardy to claim that there is a historical law according to which socialism will be replaced by more Western modes. But clearly there comes a point at which these modes begin to seem attractive to forward-looking leaders or at least opinion leaders, and they try to develop their own versions of another kind of modernization. Gorbachev and Deng Tsiaoping stand for many, and they raise the issue which lies at the heart of socialism.

It is an issue of the relationship between politics and economics, democracy and economic growth - a vexing relationship which it is almost as hard to describe in theory as it is difficult to bring about in practice. Perhaps, Marx has contributed as much as anyone to its confusion. His theory of revolution makes an assumption about Europe in the eighteenth century which is technically incorrect. The assumption is that the French and the Industrial Revolution were one and the same process. New political groups demand power in the name of new economic opportunities. In fact, the country in which the new economic opportunities were developed first, Britain, did not experience a political revolution. One would have to stretch interpretation very far indeed to regard 1688 as a part of the process of modern revolutions. On the other hand, the country which went through the turmoil of political revolution two-hundred years ago, France, did not advance its economic fortunes noticeably in those fateful years. The opposite may in fact have occurred; it was not before the 1820s that Minister Guizot's "Enrichissez-vous, messieurs!" set in motion an earlier version of the casino capitalism of the 1980s.

The reminder is highly relevant. As the great socialist empires seek new ways forward, they are following separate paths, and both run into trouble. When President Gorbachev recently visited Peking, some newspapers spoke of "mutual envy" of the leaders of the two countries, the Soviet Union envying China's economic advances, and China the political reforms of the Soviet Union. A few days later, as the student unrest in Chinese cities does not seem to subside, there may be as much mutual anxiety. Neither set of rulers quite knows what their respective genie is going to do now that it is out of the bottle. It is overly simple to contrast the two experiences quite as starkly. Yet there is truth in the statement that the Chinese leadership has tried, in recent years, to encourage the renowned entrepreneurial virtues of their people. From all reports, this has led to massive changes, especially in the villages. It has also encouraged that related Chinese passion for gambling, for making quick money, which may be one of the causes of the students' insistence on greater "purity" and the removal of allegedly corrupt leaders. No one should have any illusions about the time-scale of China's economic progress. Even at present rates of growth, China would still be fairly backward in a hundred years' time. But progress there is, and the leaders hoped to achieve it without significant political reforms. Their

attitude to the Basic Law for Hong Kong shows how reluctant they are to entertain ideas of democracy, even in the limited sense of the recent elections to the Soviet Council of People's Deputies.

Gorbachev and his friends have in a sense tried the opposite path. They have done little to stimulate economic development. They have said that they want economic change, but prices for basic commodities have remained controlled and subsidized. Legislation enabling the creation of small businesses has been most effective in those fringe areas of the Soviet Union in which an older tradition could be built on. Those who got involved in joint ventures with the Soviet Union report that the process is every bit as bureaucratic and ineffectual as it was in the past. At the same time, political changes in the Soviet Union are real. It is impossible to laugh away the opening up of public discourse and the attempt to give more people a say in decisions. The disappointment for the leaders, and perhaps for some of their sympathetic observers in the West is that political liberalization does not automatically lead to economic advancement, indeed that the two may be in conflict. If painful decisions were taken about prices and incentives for entrepreneurial activity, they would initially result in a deterioration in people's standards because real wages would have to be held down for a while. Given the new-found political freedoms, this explosive combination would lead to protests which the leaders could not afford to ignore. Yet other answers are in the end equally unworkable, as the corporatist democracy of Poland shows in which the attempt to avoid the painful decisions leads to a shared sense of bewilderment, and no more.

These are worrying conclusions: Stimulation of entrepreneurship without political reforms leads to corruption and vociferous demands for democracy. Political reforms without the creation of an economy of incentives lead to worsening living conditions and to grumbles which may well be translated into political protest. Is there really no way out? It would be indefensibly deterministic to say so. For one thing, the European experience has so far not been described fully. It is true that Marx was wrong to lump the Industrial and the French Revolutions together as if they had been one event. But he was also right to identify the bourgeoisie as a social group which had an interest in both political rights and economic growth. From time to time, such groups emerge. There is no reason why this should not be the case in the socialist empires, although it has to be admitted that the vested interests of the socialist nomenklatura will not make their emergence easy.

Another point to note is that the socialist empires (as I have called them) are far from homogeneous. They have fringes in which peculiar and more hopeful developments are possible. I have not yet given up hope that before it is too late, Hong Kong will adopt such institutions of democracy and the rule of law as cannot easily be dismantled after 1997. It may well be that in one or two other "special economic zones" more felicitous combinations of economic success and political reform can be brought about than exist in the metropolis. The Baltic states of the Soviet Union have traditions - and given their Scandinavian neighbours, relevant models - which might lead to analogous developments. "Finlandization" may yet turn out to be a term of praise and delight rather than abuse and dismay. Hungary is clearly groping for precisely the combination which is at issue. Once Czechoslovakia finds a way out of its present rigidities, the traditions of the country may well assert themselves in similar ways. Elsewhere, in the Third World proper, a hundred flowers are blooming at this moment, and many ways forward to both democracy and prosperity are sought.

Thus, all is not bleak. The final point which I want to make is nevertheless a warning. Processes of transition are painful, and their outcome is not predetermined. We must not make the historicist mistake of socialist ideologues who have long preached the inexorable laws of history. There is no law which says that after socialism, capitalism, or at any rate versions of the Western experience will prevail. The optimism of those who believe that underneath the heavy hand of bureaucracy millions of active citizens and adventurous entrepreneurs are waiting to come out, is touching but it is also misleading. Often much less agreeable forces are waiting to emerge, forces of prejudice, of confused ideology, even of fascism, and more appositely these days, of fundamentalism.

This is most evident in the Communist world. (Or should we say by now: in what used to be the Communist world?) Many in the West applaud the students who sit day and night in Tienanmen Square and elsewhere in the great cities of China, talk and sing, persuade soldiers to remain passive, and demand the resignation of certain leaders as well as more democracy. But do we know what they really want, or more precisely, what purposes they could be mobilized for? Is it not possible that their fight against corruption and for more "purity" in public life might be turned against the whole process of modernization for which Deng Tsiaoping is a symbol? The children of the Cultural Revolution will be loth to repeat the horrific experience, but there are few signs of a demand for a civil society which sustains a market economy among the demonstrators of Peking and Shanghai.

Equally, when the Armenians of Nagorno Karabakh rise against their Azerbaijani rulers, we tend to think that they are fighting for a good cause. But what is this cause? Is there really a fundamental human right for Armenians to live among Armenians? Are not the fundamental rights of man and the citizen about people of different creeds and ethnic origins and cultures living together under the rule of law? Incomplete modernity produces strange and often frightening political movements, among them above all demand for homogeneous social and political conditions which is so easily turned into genocide, or at any rate into racial hatred and vicious attempts to draw boundaries where none should exist.

A wave of fundamentalism is sweeping the world at the end of the 1980s, and the more vulnerable countries which are haltingly emerging from socialism may well be particularly vulnerable to it. Even our own countries in the O.E.C.D. world are not immune. Economically, there are signs of protectionism, of withdrawing into national boundaries. The temptation does not become any more acceptable if it is replicated by the supranational protectionism of three great trading blocs. Socially, unease about heterogeneity, about living in a multicultural world seems to be growing everywhere. Unsavory political movements command significant support. Culturally, one detects a hankering after the simple and the loud which pushes complexity and sophistication to one side. Religious fundamentalism does not stop at the borders of the O.E.C.D. countries.

These are not - certainly not yet - dominant trends. The point about them in the context of this obituary of socialism is to warn against too triumphant a response by those who had long hoped for its demise. The death of socialism does not mean that capitalism, or liberalism or even an enlightened modern vision of democracy and the rule of law have won the day. I deliberately started this lecture on a slightly downbeat note, by referring to the strange death of liberalism and the turmoil that followed. Liberalism and socialism cannot really be compared, if only because one is an approach which assumes

the open society, the other a system of ideas which if implemented is always in danger of leading to a closed society. Yet the analogy tells us that at certain moments of history, the exhaustion of one dominant set of ideas leaves a vacuum rather than another powerful idea. The vacuum can attract all kinds of hybrids and pseudo-religions; it can also create a state of bewilderment and anomie for some considerable time.

Thus the order of the day is not triumph but a reinvigorated politics of liberty. This has much to do with the relationship between politics and economics. It is about the institutions of the open society, to be sure, and perhaps we must re-examine some of them. It is about entrepreneurship, certainly. Without a growing range of opportunities both in the narrow economic and in the wider social sense, human life chances cannot expand. It is however also about effective citizenship rights for all, including an extension of general entitlements which requires policies which have fared badly in the 1980s. Above all, a new politics of liberty requires an appreciation of complexity. This may sound a curious concept to advocate at the end of a lecture. But if there is any one major lesson from the strange death of socialism, it is that neat and apparently simple systems do not work. The risk is that some will wish to exchange another such simple approach, fundamentalism in one of its many variants, for the one that has failed. We need to appreciate that our problems are not simple, that our answers are bound to be imperfect, and that our freedom ultimately depends on our appreciating the complexity of the world in which we live.