



200307264

INTERVIEW

A PRAGMATIC SOCIAL DEMOCRAT: AN INTERVIEW WITH HUGH STRETTON

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His anti-doctrinism and pragmatism indeed make Stretton a democratic socialist "with a difference" (Szelenyi 1989:109).

Hugh Stretton (born 1924) is one of Australia's most respected citizens, intellectuals and authors. Educated at the Universities of Melbourne, Oxford and Princeton, he continued his academic career by teaching history at Balliol College, Oxford. In 1954, he returned to Australia as Professor of History at Adelaide University, where he taught until his retirement in 1989. From that date until now, he has been a research fellow in the Economics Faculty at Adelaide University. His main research interest has been in the growth and influence of the social sciences in Western societies.¹

Stretton is known for the distrust of ambitious, axiomatic theories of social behaviour, which inspired his first book, *The Political Sciences* (1969). This placed his pragmatic beliefs about the social sciences at centre stage and gave him some prominence around the world. His historical education and teachings bring an ungainly dimension of common sense to his approach.

As thinker and teacher Stretton acknowledges the influence of his teachers. For example, his history teacher at Scotch College was a strict

¹ Any passages that are not referenced are taken from conversations and unpublished interviews between myself and Hugh Stretton.

Plymouth Brother, so stern that he did not believe in pleasure at all. But in class Stretton remembers him as a 'miracle of liberality'. 'Every class went for 45 minutes. For 20 of those minutes he would drum basic structural facts into our heads. Then we would manage to divert him, to argue about something or other' (Stretton, cited in Gibilisco 2000:75). It took them some years to realize that *he* diverted *them* – in year ten to discuss issues of school policy, in year eleven issues of local or national politics, and in year twelve international questions: 'He was running a deliberate policy of drumming in facts about the past and spending an equal amount of time encouraging students to argue about issues that concern our present society.'

Stretton did the first year of Arts/Law at Melbourne University, served three years in the wartime navy, then won a Rhodes scholarship. At Oxford he took a B.A. in history and became a fellow and tutor at Balliol College. Before he began teaching, the college arranged for him to spend a year at Princeton graduate school where he took courses in a number of social sciences.

On his return to Oxford, Stretton developed a strong friendship with two economist colleagues. Paul Streeten, a philosopher as well as an economist, was an Austrian Jew who enlisted in the British commandos after the Nazi occupation of Austria, and was severely wounded in the Second World War. Thomas Balogh, Hungarian born, was experienced in Germany and the US before he settled in England. He was an associate of Keynes, and adviser to the postwar Labour government, which nationalized major industries and created the National Health Service. Streeten and Balogh shared and encouraged Stretton's pragmatic, historical and institutional approach to economics.

From 1954 to 1989 Stretton taught history at Adelaide University. Among his colleagues were some who had experienced some of the worst of the history that they taught: the Nazi holocaust, the Stalinist tyranny in Russia, racist apartheid in South Africa. They were unusual in insisting on their common humanity with their oppressors. Their purpose was not to excuse the crimes but to understand them. Stretton admired the vivid effects of their experience on their teaching, and learned much from them.

In the book *Public Goods, Public Enterprise, Public Choice* (1994), Orchard and Stretton explicitly identify the moral root of the problem of economics today. The assumption that material self-interest is the main or only basis of human intent is simply false (Stretton and Orchard 1994:122-126). In effect, the self-interest of the public choice theorists over-rides the very analysis of the 'public' and of 'choice':

A behaviourist economic science which looks only to people's actions without trying to understand their thoughts is defective even for its own purposes. So - by implication - are the versions of public choice theory which impute exclusively self serving purposes to all behaviour. (From that axiom, Amartya Sen deduces: "Can you direct me to the Railway Station?" asks the stranger. "Certainly" says the local, pointing in the opposite direction to the post office, "and would you post this letter for me on your way?" "Certainly" says the stranger, resolving to open it to see if it contains anything worth stealing.) What we call mixed motivation in this book is analysed more precisely by Sen to expose its implications for economic theory (Sen, cited in Stretton and Orchard 1994: 51).

What follow are Stretton's answers to questions put to him in the course of my research:

PG: From any reading of your work, I would classify you as a pragmatic social democrat. But that is a broad term. Could you clarify your political orientation?

HS: 'Pragmatic social democrat' is exactly right. Sometimes the practical way to get good things done requires some elaborate theory and research. Sometimes you can forget all that and rely on present knowledge and common sense. Do whatever works to achieve what you, or the people you're working for, think is worth achieving. That's an obvious principle for practical reformers. I think it also applies in an important way to academic thought and research. Some of the most fruitful research can be intellectually unambitious. That has been true of plenty of investigation and reporting of the distribution of income and material goods and services. I'm not sure that much valuable reform has sprung from high theory about the dynamics of distribution. More has come from the arrival of democracy informed by competent accounting,

summarizing and insistent publication of the patterns of inequality and - rarer in economic research but at least as important - the effects of those distributions on the quality of people's experience of life. Academics too often belittle that sort of research as 'under-theorised' and are slow to reward the scholars who do it. I can cite an example from sociology (though in this case, from a researcher who is also no slouch as theorist). For thirty years or more after World War II no economist did as much as Sol Encel, sociologist, did to let Australians know how Australian income was distributed. Some researchers, some journalists and some novelists and playwrights can study the relations between blacks and whites, or men and women, or parents and children, or richer and poorer, and report what those relations do to their lives and spirits, in ways that move their readers to go to work to conserve or reform our institutions. That may do more good more surely for more people than a lot of the pure theory that passes for academic social science can do. Of course some of the best academic research and writing manages to do both.

PG: Does social democratic philosophy look to the formation of more holistic policy options, which would entail a broad knowledge of the social sciences? In The Political Sciences (1969) you suggested that sociology and political science were taking on many of the issues that economics had left behind. Could the solution be as obvious as a more comprehensive abstract theory which integrates all the social sciences?

HS: I doubt that the broad view is achieved chiefly by integrating the 'abstract theories' of the different disciplines. I think what is needed is a less respectful attitude to most social theories. They are not useless. But they should be treated like any other tools, to be used when they work and not when they don't. The main advantage of the 'outside' critics of economics may be that they know at least one other structure of social theory. If you know more than one discipline's theoretical approach to social activity it is hard not to notice how selective and value-structured each 'core' theory is. Of course some academics go on thinking their 'home' theory is holy writ and others are ignorant heathens. But the best of them develop a practical attitude to all social theory. For example it can often prompt useful questions, rather than supply reliable answers, about the wide range of social behaviour that is too irregular and changeable to support strict theory. A silly political scientist comes to

economics convinced that all relations are basically power relations, and most power relations are organized as class relations, so economists should simply study the system of economic power. By contrast, a sensible political scientist comes to economics with an alert eye for the possibility of different market strengths, including different political or legal advantages, in the parties to market bargains: i.e. with some additional questions to ask, or some scepticism about the economists' conceptions of market relations - and also with questions about the actual patterns of business or labor or green or feminist or consumers' influence on the makers of public economic policy.

Theory can often point to the need for research. But privileged theory, including neoclassical economic theory, becomes dangerous when it denies the need for research by asserting what always happens, so must be happening in any particular case. Knowing more than one structure of over-confident theory can prompt sensible scepticism about them all.

PG: According to 'public choice' theorists, theories that are shaped by social democratic principles have very little chance of coming to fruition because of the western democratic principle of majority rule. However, you and many other academic social scientists believe our representative democracy is the best and fairest system for our nation at the present time. Please explain.

HS: You must be thinking of that strand of public choice theory that assumes that electors vote chiefly or only for their individual material interests. Even so, Buchanan and other public choice theorists argue that politicians keep reshuffling the policies by which they try to buy majority support - so most groups get included in the winning majority from time to time and win some share of the public favours. So a steady class or group tyranny is unlikely. Many public choice theorists want to put constitutional limits on the power to tax and the permissible size of government revenue. Thus they want to limit democratic power. But I don't remember any who wanted to replace democracy with any other form of government. The main enmity between social democrats and public choice theorists arises because sensible social democrats know that people vote for advantages for others and visions of social good, as well as for advantages for themselves - and political leadership can encourage either the generous or the selfish elements of their nature -

while most public choice theorists think there is much less generous or disinterested behaviour among either voters or their politicians and public servants, so that governments simply can't be trusted to do the many things that social democrats want them to do to reduce inequalities and improve the quality of life.

PG: A question that concerns me is one that the bulk of our minorities confront every day of their existence. That is, economic actions are a consequence of social actions, e.g., the market will only value those social attributes that it can measure. However, social outcomes, such as the ability to buy a nice house in a good neighbourhood, are only derived through economic outcomes. It is obvious that the social and economic outcomes are mutually dependent. However, it is becoming ever so obvious to me that neoclassical economics sees a dissatisfied minority as expendable.

HS: That is a bit hard on many neoclassical economists. Plenty of them are decent compassionate people. Those ones tend to relate their professional neoclassical beliefs to their compassionate beliefs in a two-step way. The original, distinctive thing about neoclassical theory was the belief that (with perfect competition, etc.) the market allocates resources to their best uses, and rewards each contributor to production (landowner, worker, capitalist) in proportion to each one's marginal contribution to the value of output. To interfere with those market relations is thought likely to reduce their efficiency. With some obvious exceptions (to ban inhuman practices and to correct some market failures) government interference with the market relations is expected to reduce their efficiency, and the fairness with which they distribute income to everyone who contributes to production. That does not deny the need for compassion. What it does imply is that efficient production, and income distribution to the producers, are best left to market forces. Don't try to employ disabled people by forcing all employers to employ a quota of disabled people, or by any other efforts to make the productive system the means of distributing income to non-producers or to inefficient producers. Production is one system, the welfare of non-producers is the business of other institutions. The family sustains children before they earn. It used to sustain people too old to work. If democracies want to care for the non-producers, they should do it by

means which interfere as little as possible with the incentives and efficiencies of the productive system. Taxation designed to do as little incentive harm as possible should finance welfare incomes and services, which should also be designed to do as little harm as possible to productive incentives. But if decent care of non-earners cannot help weakening some market incentives, plenty of compassionate neoclassical economists will say 'So be it: we are experts in economic efficiency, but we do not deny that some qualities of social life are more important than marginal economic efficiencies. A bit less income well distributed may well be more desirable than a bit more income with less kindness or equality in its distribution'.

Notice that the twentieth century 'Australian settlement' was based on the opposite principle: the productive economy should be encouraged to do as much as possible of the distribution and other welfare work. For example the tariff should do double duty. It should protect the regime of fair wages introduced and policed by the unique Australian invention of the Arbitration Court; and it should help the country to grow rich and independent, balance its trade and payments, and employ its immigrant numbers, by developing manufacturing industries which would otherwise have been uncompetitive for reasons of scale and inexperience. It has always been a mistake to compare the welfare intentions or achievements of different nations by comparing only the proportion of national income which they devote to public income transfers and welfare services. The fuller their employment, the less of that taxing and spending they need. Through the long mid-century boom Australia shared with Sweden the world's lowest unemployment and its highest minimum wage, and its welfare needs were further reduced by immigration policies which gave it a comparatively young population. We still rise from quite low to quite high in international comparisons of welfare and equality if you factor in the figures of home ownership and housing cost (though 'economic rationalist' policies are now degrading that advantage).

PG: Milton Friedman believes the problem is centred on a distinction between the real world and the ideal world. Friedman in his Interview for Playboy magazine Feb. 1973, (p. 58) acknowledges that for free enterprise to flourish in conditions of laissez faire we would ideally want a large number of competitive producers and no monopolists. For ideal

Communist government we would need a saint. We can produce neither. In this situation Friedman advocates competitive capitalism under classical liberal government. He thinks that allows human greed to do least harm. He says (p 51), 'Capitalism is that kind of system'. Is he completely wrong?

HS: That is too big and cutting a choice, it seems to me. What he ought to be doing is thinking which activities of our society are best done by capitalist monopolies (as some are); which are best done by competitive firms and individuals; which are best done by bureaucratic government; which are best done by independent non-profit methods, as in universities; and which are best done by unpaid labor at home and elsewhere, mostly (at present) by women. If you actually measure that distribution of productive work and output in the advanced economies now, the private sector does about half of it, just over half in Japan and the US, just under half elsewhere. Figures for the other half vary between different countries and with different methods of measurement. Between 8 and 15 per cent of goods and services come from public and independent non-profit producers. Between 33 and 45 per cent come from housework and other unwaged labour. Anybody who studies how an economy works should have all three sectors in mind. They are independently important, and critically important to each other.

It is absurd to talk about the whole mixed economy as a capitalist economy, as if private profit-seeking drove it all, or ever could. The private sector couldn't do a thing without pervasive government, substantial public production and public capital for private use, and households producing the kinds of skill and will and capacities for work and learning that an advanced economy needs in all its sectors. One reason why capitalism works in a comparatively lousy way in much of South America is that it is under bad government, and often bad corporate management. One underlying reason for both those shortcomings is that family and household life don't seem to bring up sufficiently honest, cooperative, workable males for either the public or the private workforce. And that shortcoming may owe something, in turn, to the kinds of government and private capitalism that they suffer from.

PG: The issue of 'moral hazard' assumes that individuals will act out of rational self-interest. For example governments must set the level of unemployment benefits so that there is a disincentive to remain on the dole. If it was too close to the minimum wage there would be no economic motivation to find paid employment, hence a moral hazard. If an insurer insures a car for more than its market value its owner may be tempted to dispose of it and collect the insurance - a moral hazard. Therefore isn't it true that, at least in certain circumstances, the assumption of individual rational self-interest is important?

HS: Two simple answers: (1) Anyone who assumes that human behaviour is all selfish or all altruistic is nuts. They are also likely to forget that a great many of the issues people have to vote about do not affect their individual interests, so there is no way their self-interest can dictate how to vote about those. In fact they mostly have some general principles of fair dealing and good government, and resort to those when their interests are not affected, whatever they do when their interests are affected. Discerning which consideration is at work in each case, or (more often) what mix of the three is likely to determine their behaviour, is the skill you need. (2) Self-interest is not always single-interested. Very few job-seekers only want the money (so they'd be just as happy on the dole) or only want the job (so they would gladly work for less than the dole). One common fault of economists (though the best of them are aware of it) is to assume that people work and earn only in order to consume, or that (once above the breadline) the pleasures of consumption are necessarily greater than the pleasures and satisfactions of work. A lot of political and economic judgments need to be quite complicated, all-things-considered, judgments.

Sadly, evidence has been accumulating from various questionnaire surveys that economics students are on average more selfish than any other students. The latest results show that economics does not attract more than a normal proportion of selfish people. It attracts a normal spread of human nature, but the first year of instruction teaches students to be more selfish than they were, or than second-year students in other disciplines are. I don't know how far they come to believing that selfish behaviour is best for society, via the hidden hand, or how far they absorb

the theoretical assumption that everybody is basically selfish, anything else is irrational, and irrational is just stupid.

I have no doubt that economic thought should be about 'whole life', i.e. should include the political and social elements of economic organization, and the questions of justice, compassion and quality of life that they pose.

PG: I have heard it said that people like you are liberal interventionists and people like Frank Stilwell are socialist interventionists; how do your ideals differ?

HS: I'm not sure that we do. We may use different language 'social democrat' and 'socialist' - for much the same ideas. Frank is very far from wanting a command economy organized and run from the top by bureaucratic power. Nor does he want a capitalist economy with too little government. We see two things wrong with the current deregulation of the private sector. First, it strengthens capital dangerously and unfairly against labor and against consumers. Second - less often noticed but just as important - it reduces the private sector's productive efficiency. We want a private sector with the regulation that it actually needs. We want public enterprise where that can work well. And we want more scope for the many kinds of non-profit enterprise which can also work well: churches and charities, universities, cooperatives, mutual organizations which belong to their customers, and so on.

All three kinds of institution can work well or work badly, depending on how well or badly they're conceived and managed. They can also work differently in different national conditions and cultures. The fundamental question is not which of them is best in a general way, but which of them is best for particular tasks in particular circumstances, and what mix is most promising for particular democracies, with particular resources and capacities and collective purposes, at particular stages of their history.

But if you want a democratic mixed economy with quite big shares of work for the non-profit sectors, progressive income and wealth taxes, and the private sector paying its executives less than a hundred times as much as its labourers, some Right propagandist may well tell the world that you're a command economist with fully Stalinist intentions.

PG: *This question is taken directly from Herbert W. Schneider (1948) Adam Smith's Moral and Political Philosophy, (p. 7): Wherein does virtue consist, or is the tone of temper and tenor of conduct which constitutes the excellent and praiseworthy character, the character which is the natural object of esteem, honour, and approbation?*

HS: You have to decide that for yourself, with or without whatever help you can get from parents, friends and moral philosophers. That's part of the human condition.

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