



The Battle of Ideas

Publish Date:

February 2015

In 1948 a correspondent self-described as 'a common worker', wrote to the *IPA Review*:

For God's sake do not waste any more good ink and paper writing about Incentives, Profit-sharing, Amenities, Co-operation, Price Control, Inflation and Deflation...

This common worker implored the IPA's Editorial Committee.

...These subjects are only baits and scares for ignorant workers. Jargon such as this does not offer us one iota of economic security except at the expense of some other of our class.

The letter went on:

‘Do you wonder why we strike? Why we are tempted by socialism? 98 per cent of us dread Stalinist dictatorship, but under communism that little devil [economic insecurity] would not be always just lurking round the corner.

There was a little dare at the end of the letter.

‘P.S.—I wonder if you are game to print this in the *IPA Review*.’

The letter appeared alongside an IPA response written most likely by Charles ‘Ref’ Kemp, the IPA’s founding director:

... in the Soviet Union, security of employment has been purchased at a very high price—at the price of freedom. Soviet Russia has abolished unemployment by enslaving the workers. Russia offers far less real security for the average man and woman than the democracies. Under the “Stalinist dictatorship” there are secret police, concentration camps and forced labour groups, and over all the iron hand of the Communist bureaucrats to decide where you work, what your wages are, and what goods you can buy.

From its founding in 1943, more than any other organisation in Australia, the IPA understood the relationship between economic control and political control.

During the IPA’s first few decades, staff went on study tours around the world, including behind the iron curtain, to investigate global trends in political economy. The IPA collected information and travel reports concerning the progress and problems of the Soviet economy. One document in the IPA’s archives reported that the ‘whole country is in a strait jacket ... it is an insolent hoax to refer to Russia as a democracy’.

They did this because for the IPA’s first few decades, the Soviet Union was not just a geopolitical competitor to the free world, but an intellectual competitor—a competing economic model that many wanted to transplant, at least in part, to Australia.

The Second World War brought with it a raft of regulatory controls, and economic activity was deliberately suppressed to make way for military production. While for the conservative side of politics this was a necessary wartime evil, Labor embraced the new regulatory state, seeing it as a stepping stone towards the ultimate goal of the nationalisation of industry.

The entire debate about ‘postwar reconstruction’ was about whether wartime controls ought to be maintained into the peace. As Kemp wrote, Labor was using its position, and the war, ‘to erect a framework of widespread restrictions which it will endeavour to maintain and extend in the post-war period as a means of enforcing its policy of wholesale nationalisation of industry’. This was not hyperbole.



Ministers in the Labor government were pushing hard for the government to ride the public acceptance of controls during war into nationalisation during peace. Nationalisation was one of the core planks of Labor's policy.

They were amply backed up by the finest minds of the economics profession and bureaucracy. H.C. Coombs, then Director-General of the Department of Post-war Reconstruction, proclaimed that 'decisions as to how labour, materials, equipment are to be used will be made or influenced increasingly by public authorities rather than individuals'.

Yet conservative opposition to Labor's regulatory and socialist agenda had collapsed when the Fadden government lost power in October 1941. This was the political gap in which the IPA was formed. Australia needed an organisation to build the intellectual case for the free society and against economic control.

This debate was held in the shadow of the Soviet Union, where economic restriction had been taken to its logical and most tyrannical extreme. Yet in Australia, the Labor mainstream insisted widespread nationalisation and restrictions could be imposed while still maintaining Australian democracy. One could accept some parts of the Soviet model of socialism without accepting the other parts.

But as Friedrich Hayek dramatically pointed out in his 1944 book *The Road to Serfdom*, any state that suppresses market freedom will inevitably be a tyrannical state. If the socialists were worried about the coercive power of monopolists under capitalism, well, the socialist state was 'the most powerful monopolist conceivable'.

It takes a great deal of coercion to suppress the natural human urge to trade freely. Constructing a planned economy takes even more. Many of Stalin's crimes were committed in the process of forced agricultural collectivisation and industrialisation.

This was the IPA's earliest and most powerful message—that economic freedom and individual freedom are inextricably linked. Hayek's writing deeply influenced the IPA's first few decades. The *IPA Review* published an original and significant essay by Hayek, and when he visited Australia in 1976 as a guest of the IPA, the great Austrian reflected that the think tank had, as a result, 'played a considerable role in the development of my writings'.

Hayek argued that economic liberalism and political freedom go hand in hand—as both Soviet Communism and European Fascism had brutally demonstrated. Radio plays broadcast by the IPA depicted the political struggle as between socialism and democracy. A 1942 statement published by the governing committee to form the IPA argued that:

The public does not realise that extensive and permanent Government control involves loss of personal freedom and the destruction of industrial democracy which must bring with it the end of the traditional democratic political system.

The collapse of the Soviet Union in 1989 was sudden but it was the result of pressures building up within Russia and its empire for many years.

The economic reforms brought about by Mikhail Gorbachev—for instance, the 1987 Law on State Enterprises, which devolved supply and demand decisions down to the level of each (state-owned) firm— went hand in hand with political reform and demands for further openness.

The relationship between the opening of an economy and political reform would not have surprised Hayek, and did not surprise the IPA.

On 9 November 1999, the IPA held a ‘Fall of the Wall’ anniversary celebration in Melbourne. Tony Abbott was one of the guest speakers, along with Ray Evans, Peter Coleman and Paddy McGuinness. Coleman spent much of his speech recounting the defences of Communism frequently heard from left-wing intellectuals throughout the Cold War. But as he said:

An anthology of communist follies would do more than document absurdities. It would also remind us of the crucial role played in the long decades of the Cold War by people who have no literary or intellectual pretensions. No strategy, no policy of deterrence, no exposure of communist lies would have had a hope of success without the common sense, loyalty, phlegm and the straightforward idea of right and wrong of the ordinary man and woman.

At its root, the Cold War was a battle for ideas. The most powerful idea—the idea which won the Cold War—was that which animated the IPA in its early days and still animates it today: that economic freedom and individual freedom are indivisible. Harm the former, and you inevitably harm the latter.