

interventionism never succeeded in a complex defence of their non-laissez-faire attitudes.

Embedded in the original Pelerin group were the likes of the German-born economist Wilhelm Röpke, with his belief in, as Burgin categorises it, 'forceful state interventions' to guarantee a properly artisanal and agricultural economy. But rather than wonder how a Röpke perspective evolved into a Friedman one, it's better to recognise, as Mises did, that Röpke just didn't belong in the Mont Pelerin Society to begin with as far as its core commitments went. The stated distaste for laissez-faire and for market defenders who went 'too far' is a real element of the early Mont Pelerin mix, and much beloved by those seeking surprising ironies in intellectual history. But too much is made of it, especially in the context of the important and lasting things that came out of Pelerin. Who today remembers Röpke?

Burgin interestingly contrasts Hayek and Friedman's two most popular early works, *Road to Serfdom* (1944) and *Capitalism and Freedom* (1962): *Serfdom* was 'a defensive manifesto for an ideology in a state of retreat and disarray,' while Friedman's work 'provided a platform for a movement that was prepared for an aggressive offense.' Friedman is presented as evolving from institutions such as Pelerin and the Volker Fund with a bolder, more libertarian defence of markets, willing to admit he thinks 'society needs a few kooks, a few extremists' and willing to argue that the supposed historical defects of nineteenth-century laissez-faire might be largely mythical. Despite all this, his ideas shaped a lot of the modern Republican Party's stated views on everything from taxes to welfare to the draft to inflation. Burgin makes a convincing case that rhetorically, Milton Friedman *created* Ronald Reagan. Despite the president's failures, this might explain why so many libertarians still have deep affection for Ronnie. Burgin proves how Friedman succeeded with the public beyond the dreams of most other founding Pelerines even as he strode ever closer to true laissez-faire.

My critique of this book is presented in the spirit of engaging with a fine and important work. It is a very smart volume, well worth the time of anyone who cares about free-market thought, and Burgin almost never tips his hand about whether he believes his subjects were right or wrong. Even this libertarian partisan thinks Burgin somewhat overestimates the extent to which the Pelerines succeeded in

reversing the victories of the Fabian socialists whose techniques they emulated. But they certainly helped form what the British historian A.V. Dicey, who shaped Friedman's theories of social change, called the 'spirit of an age,' what Burgin colourfully calls 'an implicit rebuke to the fatalism engendered by encounters with the real.' They did it, contra what Burgin sometimes implies, not by being conservatives but by being libertarians.

**Reviewed by
Brian Doherty,
senior editor, *Reason*
magazine, where this
article first appeared.**



***Redefining the Poverty
Debate: Why a War
on Markets is No
Substitute for a War
on Poverty***

By Kristian Niemietz

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***R*edefining the Poverty**

Debate is in a sense a sequel to Kristian Niemietz's award-winning book, *A New Understanding of Poverty*, which addressed poverty policies not through the traditional lens of income but of expenditure.

Income-based measurements of poverty (for example, the widely used 50% of median income poverty line) tend to rig the debate towards increasing welfare payments for the poor. By increasing welfare payments for those who live below an income-based poverty line, you raise their income, push people above the line, reducing poverty.

Calls to increase welfare payments are typically coupled with increasing cost-of-living pressures—for example, as the cost of housing increases, disposable income decreases, life on welfare becomes tougher, and political pressure from the welfare lobby to increase payments intensifies.

This argument has been prevalent in the recent social security debates in Australia, particularly with respect to the 2009 increase in the base rate of the single pension by \$32.50 per week, and the current campaign to increase the base rate of Newstart Allowance by \$50 a week.

Redefining the Poverty Debate attempts, as the title states, to redefine the poverty policy debate in the United Kingdom away from constant calls to increase welfare in response to increasing cost-of-living pressures, to tackling cost-of-living pressures head on with a market-based strategy.

While the primary focus is on the United Kingdom, the factors Niemietz tackles are easily applicable in an Australian context. For example, the rapid and continual increase in housing costs (Sydney and Melbourne have some of the most expensive property prices in the world), and Niemietz's solution to it—deregulation and de-politicisation of the planning processes—are entirely relevant to Australia. Given that housing costs can take up more than 50% of a poor person's income, it is important to appreciate just how critical reform of planning processes is in any anti-poverty strategy. As Niemietz says, 'Planning liberalisation is not a poverty "silver bullet", but it is the closest to one that a policy measure can get.'

Like Australia, the drivers of growing cost of childcare are the same. 'The government now sets detailed requirements about staff qualifications, staff-to-children ratios, conditions of the premises, safety measures, activities, etc.' Niemietz recommends deregulating the child care sector to reduce these costs, and suggests child-minding agencies develop standards to help consumers discern good child care providers from the bad. His recommendation to simplify the funding arrangements for child care could be equally applied to Australia.

Niemietz notes that the situation relating to food costs in Australia is starkly different (and much better) than in the United Kingdom because Australia does not have to deal with the European Union's Common Agricultural Policy (CAP), which can account for up to 25% of a European farmer's revenue. This in turn affects agricultural productivity and the price consumers pay for food. It is a timely reminder for those in Australia campaigning for greater regulation in the agricultural sector (that is, those who are against cheap milk).

Like housing and child care, the factors driving energy costs in the United Kingdom are echoed in Australia. Niemietz points the finger at green tape policies such as mandatory renewable energy targets and feed-in tariffs as driving energy bill costs. He also criticises the government's propensity for 'winner picking' policies where governments pick programs aimed at carbon mitigation for support, rather than more market-based approaches like cap-and-trade. The savings from reducing green tape and eliminating unnecessarily and ineffective green energy requirements would be passed onto all consumers—and reduce cost-of-living pressures.

While market-based reforms tackling housing, childcare, food and energy would all help reduce cost-of-living pressure for the poor, this is only half of Niemietz's solution to tackling poverty. He also recommends an ambitious overhaul of the welfare system, which would include merging in-work benefits, income tax, and national insurance into a 'single system of positive and negative taxation.' This would eliminate numerous perverse incentives created by effective marginal tax rates, and improve the avenues to move off welfare and into work.

Unfortunately, the pragmatic and sensible solutions to reducing cost-of-living pressures in housing, childcare, food and energy outlined in this book aren't going to be enough to reduce poverty in the United Kingdom (or in Australia for that matter). Niemietz, like many others, comes to the conclusion that there is a need for an overarching and comprehensive reform of the tax-welfare system.

While these reforms are no doubt warranted, the likelihood of any government undertaking such a reform program seems unlikely even in the present economic environment. However, this does not diminish Niemietz's arguments. Niemietz has made a valuable contribution to the policy debate on poverty—in the United Kingdom and in Australia—by reinforcing the message that market-based policies have a significant role to play in reducing cost-of-living pressures, and therefore, on improving the well-being of the poor.

**Reviewed by
Andrew Baker**

