

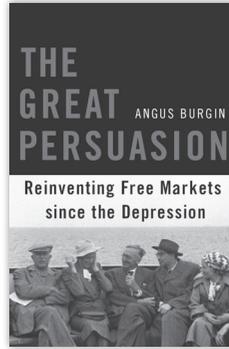
***The Great Persuasion:
Reinventing Free
Markets Since the
Depression***

By Angus Burgin

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Angus Burgin, a historian at Johns Hopkins University, has produced a well-researched, well-written, and largely well-considered study. *The Great Persuasion* chronicles the intellectual adventures of F.A. Hayek; Milton Friedman; and other market-supporting academics, think tankers and entrepreneurs who comprised the Mont Pelerin Society, founded in 1947. It also offers Burgin's accounts of who he thinks were Pelerin's most important intellectual predecessors. The book's only overarching flaw is that Burgin at times seems confused about what ideology his book is a history of, conflating conservatism with libertarianism. It's a mistake I strove to correct with my 2007 book, *Radicals for Capitalism: A Freewheeling History of the Modern American Libertarian Movement*, which reports on many of the same characters and stories as Burgin.

Burgin knows there is a distinction between the two ideologies—he mentions libertarianism a few times, but he misses the importance of the distinction in ways that complicate his efforts to link post-Pelerin developments to pre-Pelerin forebears. In many respects Hayek, and especially Friedman, represented something new, or at least long missing in action, under the intellectual sun. So Burgin talks about evolutions in a body of thought that are more fruitfully explained by imagining a new species inhabiting a fresh ideological space. When Burgin writes of a 'they'—the free-market advocates he traces from the 1930s to now—who saw 'their assumptions and arguments discreetly but decisively transformed' in the direction of greater acceptance of untrammelled free markets, I'd argue that there is no 'they' there, that Burgin is really telling the story of the rise of libertarianism from its roots, without crediting it as such or broadening its story from Hayek and Friedman.

Burgin starts with the king of twentieth century interventionist economists, John Maynard Keynes, lamenting in 1924 that the popular mind had embraced

a vulgar simplification of economists' thinking and thus believed in unrestricted free markets. (Those were the days: laissez-faire, allegedly the unconsidered prejudice of the masses.) Keynes declared laissez-faire intellectually dead among the more educated class and the economics profession. By the end of World War II, that death sentence seemed so obviously true that an international group of economists, philosophers and entrepreneurs who still believed in the competitive market (though even they tended to reject pure nineteenth-century laissez-faire) felt so embattled and lonely they create a brotherhood, the Mont Pelerin Society, to keep from guttering the flame of those ideas in their professions and countries. While in and of itself the group, which met regularly to discuss and hash out ideas related to markets and liberty, did no persuading and produced no branded work, its members—especially Friedman—often identified the sense of fellowship, intellectual exchange, and connections it provided with helping cement their ideas and strengthen their intellectual work.

Burgin tries to create a direct lineage for Pelerin in the early twentieth century, citing the first-wave Chicago School economists Frank Knight, Jacob Viner, and Henry Simons. Those figures did teach a second wave of strong free-market defenders, most importantly Friedman. But in modern, post-Friedman terms, they barely qualify as free-market advocates. As Burgin writes, 'they varyingly embraced the prospects of public works programs, progressive taxation, social insurance, and vigorous antitrust policies.' Knight was aggravated by the pro-market writings of the London School of Economics' Lionel Robbins (who brought Hayek to teach at the LSE), believing he promoted:

[A] picture of laissez-faire bordering on the conception of a worldwide anarchist utopia ... a vision of universal freedom and brotherhood, if only governments would cease from troubling and politicians go out and die, except for police functions.

Knight also worried over the morality of markets, sounding less like an ancestor of Friedman than an ancestor of a Brooklyn lit-zine editor with his lament that 'a considerable fraction of the most noble and sensitive characters will lead unhappy and even futile

lives' in modern capitalism. When Knight wrote that neither 'freedom nor truth can be treated as an absolute,' he could have passed as an Ayn Rand villain. At best, these first-generation Chicagoites endorsed free markets as a least-bad solution; none saw particular virtue or creative power in them, and none saw himself as part of a movement promoting them. Friedman when young believed Henry Simons was a free-market guy, but when he re-read Simons later he was shocked to think he had ever thought so.

Burgin admits that this generation's 'measured approach proved ineffective in preventing the rapid expansion of the state,' which is why a distinctly libertarian tradition arose not just from Hayek but from the more strongly free-market Austrian economist Ludwig von Mises, who gets too little attention in this book. This tradition spread through characters and institutions that Burgin only alludes to, from Ayn Rand to Leonard Read and the Foundation for Economic Education.

But Burgin's scholarship breaks fresh ground in the popular history of market ideas. He rescues, and tells in as fine a detail as I've seen, the story of how the American star journalist Walter Lippmann rose and then quickly fell from a position as leader of an ur-libertarian movement in the late 1930s. Lippmann was the direct inspiration for Hayek and others when they formed a proto-Mont Pelerin Society, which they threw together in 1938 for just one meeting under the name 'Colloque Lippmann.' Lippmann also inspired the strategy pushed by both Pelerin and the 1940s–1950s libertarian funding organisation, the Volker Fund, which funded Americans' travel to Mont Pelerin meetings: In a world where market advocates were scattered and alone, find them and get them communicating with each other, across national and disciplinary boundaries.

Lippmann pulled proto-libertarian thought together in accessible form in his 1937 book *Inquiry into the Principles of the Good Society*. He was no radical, explicitly distancing himself from Herbert Spencer, the nineteenth-century classical liberal who most closely resembles a modern libertarian. (While Spencer was willing to argue that, say, the state didn't have the right to protect people pre-emptively from quack medicine through licencing, Lippmann found such conclusions embarrassing.) It is a telling sign of the moribund quality of this pro-market crowd that when Mont Pelerin launched a decade after the Colloque

Lippmann, a nearly identical team was responsible; hardly anyone new had arisen in defence of these ideas. Lippmann's work failed to gin up many new defenders. That perhaps justifies the general desuetude in which his reputation has fallen in the historiography of twentieth-century market popularisation, a fall Burgin laments. Lippmann was chary of seeming either a propagandist or tool of any moneyed interests, and by the end of World War II wanted nothing to do with any organised promotion of market ideas; Hayek, annoyed that Lippman refused to meet with him on his 1945 *Road to Serfdom* book tour, and noting Lippman was generally being aloof with all 'our other friends in America with whom he used to agree,' decided that Lippman had turned against his own ideas; certainly Lippman was never again an enthusiastic promoter of them.

Burgin admits that despite all their talk—and there was much such talk, though non-libertarian historians of the Pelerines make more of it than is warranted—about moving above and beyond nineteenth-century liberalism, the Mont Pelerin crew were 'remarkably vague' about how or what needed changing. They never 'identified precisely what the [non-laissez-faire but non-socialist] vision entailed,' he wrote; nor is there much evidence that they tried very rigorously.

The Pelerines—according to a founding statement crafted by Lionel Robbins—claimed to believe in 'moral absolutes,' but they never dared make the anarchist leap of applying the moral standards of individual behaviour to the state. Between the lines in Burgin one detects the aching need for the libertarian project that Ayn Rand and Murray Rothbard made popular; defenders of free markets needed the moral base and the outrageous consistency of Rand's and Rothbard's thinking.

These post-Pelerin libertarians whom Burgin barely mentions, especially Rand and Rothbard, really did what he says the Pelerines strove for—'provide a convincing account of the ethical foundation of a market-centered world.' An attempt to defend free markets without defending *freedom*—the ability to do what you want with your life and property as long as you aren't directly harming others—is going to seem wan, confused or incomplete. One might question the rigour or success of Rand's or Rothbard's project, but at least they really did it. Unfortunately, those Pelerines who seemed to be dying for an airtight intellectual excuse for at least some

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

Institute of Economic
Affairs, London, 2012

Free download, 250 pages

ISBN 9780255366526



***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.