

## The Great Persuasion: Reinventing Free Markets since the Depression

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The social and economic landscape of the United States shifted significantly after the financial crash of 2008. The ensuing downturn led both businesses and consumers to face severe restrictions on their access to credit. The subprime mortgage crisis changed the nature of home ownership for many Americans. Growth rates and unemployment figures became the subjects of intense political debate. Alongside these macroeconomic developments, populist movements on both right and left – the Tea Party and Occupy Wall Street, respectively – responded vigorously, and, in some cases, intemperately, to the nation's chastened fiscal circumstances. These developments left intellectuals and political pundits wondering whether the so-called 'culture wars' – which were said to have structured public debate around issues such as abortion, gun control, gay rights and creationism – had been complicated by the re-emergence of a more basic fault line centred on the efficacy and morality of an economic system dedicated to the idea of the 'free market'.

What were the intellectual phenomena that allowed North American and Western European politicians to develop an almost unquestioning faith in the benevolence of financial deregulation before the onset of the crisis? This question animates *The Great Persuasion*, Angus Burgin's exceptional transatlantic history of 'free market advocacy' during the 20th century. To tell his story, Burgin returns to the early years of another global economic slump, that of the 1930s, and demonstrates how, in its extended aftermath, an industrious, committed group of intellectuals sought to 'reconstitute the theory and practice of capitalism' in the face of considerable opposition to their ideas (p. 5). Burgin deftly weaves three separate yet intertwined narratives in

the book, two of which are biographical, and one institutional. He fleshes out the signal contributions of the economists Friedrich Hayek and Milton Friedman, but also places these formidable figures within an institutional framework: that of the Mont Pèlerin Society, a group established by intellectuals and businessmen in 1947 to advocate against government intervention in the economies of the Western world. *The Great Persuasion*'s approach to intellectual history is therefore rooted in the conviction that academics advocating for free market ideas significantly impacted policy debates on both sides of the Atlantic. However, Burgin avoids plotting a linear narrative of the evolution of free market ideas and their subsequent influence. Instead, he is fully aware of historical contingency, and perceptively points out the roads not taken and opportunities missed in the development of free market advocacy during the 20th century.

The book starts by identifying the clusters of intellectuals amongst whom opposition to the Depression-era climate of government intervention originated. For example, the faculty at the London School of Economics during the 1930s included Lionel Robbins, and, most notably, Friedrich Hayek, who became the period's 'leading theoretical opponent' of the Cambridge-based John Maynard Keynes (p. 25). Meanwhile, a similar constellation of free market ideas emerged at the University of Chicago, where Frank Knight, Henry Simons and Jacob Viner all became associated with vigorous opposition to the economic policies of Franklin D. Roosevelt's New Deal administrations. London and Chicago were therefore the generative institutional contexts for free market advocacy. However, there was no clear philosophical or political agreement amongst the intellectuals who made up this emerging transatlantic network, which points to the first of two major contingencies highlighted by Burgin in the early stages of his book. Whilst Hayek became associated with a radical defence of the market mechanism, those at Chicago preached a doctrine of 'moderation, regulation and restraint' (p. 41). It was out of this debate that the idea of 'neoliberalism' emerged. The term has become an academic buzzword in recent years, and is most frequently used by opponents of free market ideas to characterise a philosophical orientation towards unrestricted implementation of the market mechanism. However, as it was first used during discussions of journalist Walter Lippmann's influential book *The Good Society* (1944), the term took on a strikingly different valence: it implied a 'radically reconstructed liberal doctrine,' which, instead of returning to the laissez faire conditions of the late 19th century, would establish a middle ground between an irresponsibly deregulated market and complete state control (pp. 72–3). Based on a detailed reconstruction of this linguistic context, Burgin ultimately suggests that:

the 'neoliberalism' that became paradigmatic in the Anglo-American policy arena in the 1970s and 1980s looked very different from the 'neoliberalism' of the late 1930s and 1940s. The history of the latter must resist the temptation of assumed continuities, and the history of the former must do more to account for the theoretical divergence between the two (p. 82).

In historicising the concept of neoliberalism, Burgin not only tells a fascinating story, but also cautions those seeking to understand the intellectual underpinnings of contemporary free market ideology to employ the term in full knowledge of its original usage and subsequent shifts in meaning within British and American political discourse.

The second contingency pointed out by Burgin in the opening chapters of *The Great Persuasion* concerns the role free market intellectuals perceived for themselves in the public sphere. Even as his reputation as a key opponent of Keynesianism grew during the 1930s, Hayek remained reluctant to intervene directly in policy discussions. Those working in Chicago shared this reticence, and were at pains to chastise their opponents for ‘blurring the boundaries’ between ‘economic ideas’ and ‘political philosophy’ (p. 46). This conviction was rooted in the belief that the power of economics as a discipline came from its resistance to popularisation. Even as Hayek turned away from purely economic questions and towards the construction of the overarching philosophical ‘world view’ that would culminate in *The Road to Serfdom* (1945), he distanced himself from the ‘pressing political problems of the day’, and instead ‘oriented his work toward a long-term goal of generating ideological change’ (p. 51). During the 1930s and 1940s, then, free market advocates proved reluctant to engage in tangible advocacy in contexts other than those provided by academia.

The transition from scholarly isolation to public engagement was facilitated by the foundation of the Mont Pèlerin Society. Initially conceived as a middle ground between a learned association and an explicitly political grouping, Hayek imagined the society developing into a single transatlantic forum ‘whose members would be bound together by common convictions,’ in the hope of developing a coherent economic philosophy that could then be publicised (pp. 94–5). As Burgin notes, in early Cold War American intellectual culture, conservative ideas were often seen as irrational, and were assumed to have no place in the mainstream. However, the intellectuals associated with the Mont Pèlerin Society patiently demonstrated that whilst they were not at the centre of public debates during the 1950s, they were far from irrational, united as they were around the common goal of constructing ‘institutions that bridged the divide between academic theories and processes of political change’ (p. 122).

They were assisted in achieving this goal by the provision of funding from a series of sympathetic charitable foundations. For example, the Volker Fund and the Earhart and Relm Foundations provided a range of financial assistance for the Mont Pèlerin Society, most importantly reimbursing travel expenses for members who crossed the Atlantic to attend the organisation’s annual meetings. In doing so, these groups showed ‘an extraordinary faith in the capacity of abstract ideas to generate substantive political change’, and therefore matched Hayek and his colleagues’ belief that free market advocacy was best pursued as a long-term project (p. 127). The involvement of well-endowed charitable bodies also helped to link the Mont Pèlerin Society to the burgeoning American conservative movement. This was most apparent in the interactions that took place during the late 1950s and early 1960s between various members of the organisation and figures involved with the conservative magazine *National Review*. Its editor, William F. Buckley, Jr., who took up an increasingly visible place in the American public sphere during the 1960s, aligned himself with the rhetoric of free market advocacy by opposing what he saw as the overweening reach of the New Deal state (pp. 138–40). His sympathy for the Mont Pèlerin Society was shared by another rising star of the conservative intellectual movement, Russell Kirk, whose seminal *The Conservative Mind* (1953) rejected the apparent ‘crisis of modernity’ caused by the left’s faith in ‘abstract designs’ and its ‘hasty approach to social change’ (p. 141). In making these links, Burgin brings his research into fruitful conversation with the flourishing body of recent scholarship on American conservatism by scholars such as Corey Robin, Jennifer Burns and Kim Phillips-Fein.[\(1\)](#)

However, the author also demonstrates that the relationship between free market advocates and conservatives was not always harmonious. Hayek was angered by the populist tone of *National Review*’s attacks on the public figures it opposed, and he used the appearance of Kirk at a Mont Pèlerin meeting to deliver a speech entitled ‘Why I am Not a Conservative’, which sought to delineate between his belief in ‘a clear and principled philosophy of freedom’ and the conservative concern with the protection of the status quo (p. 143). Once again, such a cleavage demonstrates the contingencies in the development of free market ideas during the 20th century, and also highlights the impact Hayek and his associates had in helping to create what Burgin describes as ‘the foundational tension of post-war conservatism’, between free market radicalism and social traditionalism (p. 147). As an institution, the Mont Pèlerin Society was therefore fundamental to the growth in popularity of free market ideas in the 20 years after it was founded. Indeed, its influence grew to such an extent that between 1974 and 1991 seven out of 24 awardees of the Nobel Prize in

Economic Sciences were members (p. 204). However, the Society was also an unpredictable intellectual catalyst: by the time its ideas were gaining traction in the public arena in the 1960s, they had altered significantly when compared to those initially propounded during the Depression.

This would become even more apparent with what Burgin describes as the ‘invention’ of Milton Friedman. Friedman was only 13 years younger than Hayek, and had been involved with the Mont Pèlerin Society since its inception. However, instead of taking the Great Depression as his starting point, Friedman belonged to a generation of intellectuals primarily influenced by the Cold War, and whose work was infused with a crusading interest in the ‘dualisms’ of geopolitical rivalry (p. 154). Instead of writing for a limited audience, Friedman used the publication of his landmark work *Capitalism and Freedom* (1962) to signal the beginning of ‘an aggressive offensive’ on the terrain of public opinion (p. 174). He looked back to the 19th century as American history’s best example of ‘true free enterprise capitalism’, and embraced an inherently populist political rhetoric, arguing that no matter what position she occupied in society, every individual was harmed by government intervention, and would consequently be helped by the implementation of unrestricted markets (p. 177). In this way, Friedman attempted to disarm his opponents on the left by describing himself not as ‘pro-business’ – which implied a class orientation – but as ‘pro-free market’ – a designation intended to transcend the limitations of social status (pp. 192–4).

These positions, along with the resourceful methods Friedman used to propagate them, helped him to develop significant influence in the public policy arena. This success was also due to the ingenious simplicity of his approach, which meant that virtually every contemporary policy problem had a free market solution, at least in theory. Friedman argued for a ‘negative income tax’ that would cut rates for the poor instead of providing welfare; in the aftermath of Hurricane Agnes in 1972, he suggested that the recovery operation should be left to individuals and private charitable bodies; and in 1979 he saw his theories put into practice by the Federal Reserve, when its chairman, Paul Volcker, embraced monetarism. (pp. 179–83) He also acted as an inspiration and advisor to presidential candidates Barry Goldwater and Ronald Reagan. Contemporaries described Goldwater’s economic agenda during the 1964 election as ‘pure Friedman’, although Burgin notes that given the candidate’s crushing defeat at the hands of Lyndon B. Johnson, this was a ‘dubious entrance’ into political life (pp. 200–1). Friedman continued to offer advice to political office-seekers, and was more successful in 1980, when Ronald Reagan won a landslide victory against incumbent Jimmy Carter on a platform that wholeheartedly embraced free market rhetoric. (pp. 206–7) This all leads Burgin to note that:

The rise of Milton Friedman represents both the realization of Hayek’s dream of inspiring broad popular support for the benefits free markets have to offer, and the final failure of his ambition to create a new social philosophy that would moderate the excesses of prior modes of market advocacy (p. 185).

Friedman’s rise therefore marked the culmination of a decades-long struggle, first to win a battle of ideas, and then to carve out an influential space in the public sphere. The success of both of these projects was testament not only to the tenacity of Hayek, Friedman, and those involved in the Mont Pèlerin Society, but also to the inherent malleability of their ideas: when the vision of a nuanced middle ground between unrestricted markets and Keynesian regulation failed to develop traction, free market advocates proved willing and able to rejuvenate the ideology of *laissez faire*.

Friedman’s role in this process leads Burgin to describe his rise to prominence as a ‘world historical force’, continuing: ‘we now live in an era in which economists have become our most influential philosophers ... No figure is more representative of this development than Milton Friedman’ (p. 155). However, this hyperbolic conclusion is undercut by Burgin’s own careful reconstruction of the context in which Friedman’s thought became so influential. First, the author goes to great lengths to position Friedman in relation to a long and diffuse tradition of free market advocacy. Second, he convincingly argues that it is difficult to imagine Friedman’s influence extending so broadly without the intellectual sustenance provided

by the Mont Pèlerin Society, not to mention the financial wherewithal offered by the Volker Fund and the Foundation for Economic Education. As such, one is left wondering whether these organisations would just as easily have been able to launch another thrusting economist into the stratosphere of widespread public recognition. This issue becomes even more apparent when we take the analysis of Princeton historian Daniel Rodgers into account. In *Age of Fracture*, his impressive overview of recent American intellectual history, Rodgers has argued that Friedman's 'prominence on the national scene' would have been 'unthinkable' without the inflation crisis of the 1970s, as well as a parallel obsession with free market economics amongst legal scholars and journalists during a similar period.<sup>(2)</sup> In spite of his obvious brilliance, then, was Friedman simply in the right place at the right time?

An answer to this question may have been provided had Burgin paid more attention to the process by which free market ideas became popularised. One of the strongest sections of the book discusses the abridgement by *Reader's Digest* of Hayek's *The Road to Serfdom*. In the process, Hayek is shown to have 'lost control' of his arguments, which, at the hands of editor DeWitt Wallace, were simplified to the extent that they took on a considerably more conservative meaning than their author intended (pp. 87–9). Whilst Burgin briefly discusses the process by which Friedman sought to popularise his ideas using 'every available media', from lectures and editorials to audiotaped discussions and a PBS documentary, he makes no reference to the economist's ability to retain jurisdiction over the theoretical positions he sought to popularise (p. 198). Was Friedman so adept at managing his public persona that he remained in control of his intellectual legacy even as he became a household name? Or, was his thirst for public recognition such that he did not care that a range of conservative figures were adopting his theories and putting their own, often idiosyncratic, spin on them? In assessing the contribution of such a policy-oriented intellectual tradition, it might have been worth considering whether Friedman would have been content with the legacies his advocacy came to inspire.

Nonetheless, *The Great Persuasion* is a tremendous contribution to the intellectual history of 20th-century capitalism. The book's range is dauntingly impressive, as Burgin moves smoothly between biographical and institutional analysis, as well as between English and German source material. This means that the author's unfolding description of the impact of free market advocacy on the intellectual and political life of the Atlantic world is both compelling and convincing. However, it is because of his keen eye for contingency that Burgin's contribution is most satisfying. As he makes clear in the book's conclusion, the passage from obscurity to widespread acceptance of free market ideas highlights that 'those who set themselves against the prevailing opinions of today can take comfort in the knowledge that discursive constraints are never absolute, and often help create the conditions of their own decline' (p. 217). Contemporary proponents of alternatives to the deregulatory status quo – whether of a Keynesian or more radical stripe – should find some sustenance from this conclusion, in what is otherwise a gloomy narrative of intellectual defeat.

## Notes

1. Corey Robin, *The Reactionary Mind: Conservatism from Edmund Burke to Sarah Palin* (New York, NY, 2011); Jennifer Burns, *Goddess of the Market: Ayn Rand and the American Right* (New York, NY, 2011); Kim Phillips-Fein, *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan* (New York, NY, 2009).[Back to \(1\)](#)
2. Daniel Rodgers, *Age of Fracture* (Cambridge, MA, 2011), pp. 41–76.[Back to \(2\)](#)

The author is happy to accept this review and does not wish to comment further.

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Economist's View

<http://economistsview.typepad.com/economistsview/2013/06/the-great-persuasion-reinventing-free-markets-since-the-depression.html> [2]

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