

Angus Burgin, *The Great Persuasion: Reinventing Free Markets since the Depression*

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## LAISSEZ-FAIRE'S REINVENTIONS

Despite its ubiquity, the concept 'neo-liberalism' resists consistency of meaning. It is too often deployed as a neutralized alternative to naming capitalism; but more thoughtful study also encounters real ambiguity in its referent. There are two principal inflections. The first, most basic, is a result of historical periodization. Within the advanced capitalist world, this gloss of the term denotes the era succeeding that of Keynesian mixed economies. Taken this way, it was a policy response first felt across the Anglosphere after the onset of the 1970s downturn, characterized by an attack on organized labour, the deregulation of markets, privatization of public assets and the take-off of finance. Its strictures and injunctions are now global. In a second register, that of ideas, 'neo-liberalism' designates the antecedents to this policy programme. The name in this case derives from the work of a group of economists who had been waiting in the wings since the inter-war period for the opportunity to put their ideas into practice. While histories of neo-liberalism may justifiably subordinate the concept's genealogy to its appearance as policy, they risk neglecting its distinctness as a movement of thought. Because neo-liberalism has been something altogether more expansive than a set of policy prescriptions, though less coherent than an ideology, reconstructing its intellectual development requires close attention to its internal variations.

Angus Burgin's *The Great Persuasion* is an attempt at this. Rather than tracking a shift from latency to expression, Burgin follows the intellectual transformations of neo-liberalism as idea, charting the *differentiae specifica* of its principal strains from their genesis in what he calls a 'transnational community of ideas', with its points of concentration at the London School

of Economics, the Universities of Freiburg and Chicago and the Institute for International Studies in Geneva. Burgin contends that neo-liberalism developed an art of persuasion to shift public opinion from mistrust of the market to embrace of it as the only legitimate basis of social life. His approach incorporates both synchronic and diachronic perspectives: punctuated cross-sections of the neo-liberal thought world, and narration of its mutations from a social philosophy of the market, in the 1930s, to an effective public-relations network in the 1970s, issuing a flood of concrete policy proposals. The ‘more strident market advocacy of recent years’, he writes, emerged ‘only after an extended period of contestation and debate.’

Such an account should clearly hope to illuminate neo-liberalism’s persistence as *doxa* after the implosion of its material base in the world economic crisis of 2008, signalling the modular features that appear to have allowed it a significant afterlife. Burgin book-ends his story with two historic announcements of the end of laissez-faire, opening in the 1920s with Keynes’s ringing proclamation of its imminent demise—some years, in fact, before the Crash and Great Depression, in Hobsbawm’s words, ‘destroyed economic liberalism for half a century’—and closing in 2008 with the chorus of voices insisting that ‘free-market fundamentalism’ was over after Lehman Brothers’ fall. Burgin cites Keynes: ‘A study of the history of opinion is a necessary preliminary to the emancipation of the mind.’ In our present predicament, he suggests, it is worth recalling that:

The assumptions of an era seem less firm when they are placed in a context that includes their formation, degeneration and reformation . . . 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.

Burgin, who teaches history at Johns Hopkins, is not the first to devote a monograph to the long gestation of neo-liberal policy within an international network of think-tanks; essential contributions in this field have been made by Dieter Plehwe, Bernhard Walpen, Ralf Ptak, Philip Plickert, Richard Cockett and Matthias Schmelzer, *inter alia*. Nor is *The Great Persuasion* the only recent study to distinguish early forms of neo-liberalism, with their theorizations of a strong state to ensure a basic framework for a market society, from later vulgarizations. The work, adapted from Burgin’s 2009 doctoral dissertation, *The Return of Laissez-Faire*, is more insistent than most on this trajectory, however, and offers an especially stark periodization. From the 1930s to 1962, neo-liberal thinkers problematized pre-1929 doctrines of laissez-faire, sought a social or ethical grounding for their economic project, adopted an intellectually elitist approach—symbolized by the figure of Hayek—and had minimal impact on economic policy-making. From 1962 to

2008—the starting point here marks the publication of Milton Friedman’s *Capitalism and Freedom*—neo-liberalism openly proclaimed the virtues of laissez-faire, abandoned social philosophizing in the name of economism, adopted a populist approach (symbolized by Friedman himself) and had a global impact on policy-making.

The opening sections of *The Great Persuasion* offer a high-resolution examination of the ensemble of thinkers who built up a defence of liberalism during the 1930s. Burgin goes on to provide a concise distillation of the main currents of neo-liberalism in the mid-twentieth century, taking the Mont Pèlerin Society as the vector of the most important innovations, as well as the most illuminating divisions. His book promises a mapping of this tradition outside of existing social-scientific literature and intellectual biography. The point, Burgin writes, is to situate ‘the major figures in dialogue with one another’ through the extensive use of archival evidence; Hayek’s correspondence, in particular, is an invaluable source. What emerges from this account is a group portrait of half a dozen highly distinctive economic thinkers, set in their respective locales during the inter-war period, working against the grain of social democracy and Keynesianism, while also remaining profoundly aware of problems in the tradition of laissez-faire.

His story begins in London where, by the start of the 1930s, Lionel Robbins had positioned himself at the vanguard of forces changing the political composition of the Economics Department at the LSE, which had hitherto been Fabian, by reading the conjuncture through the lens of Carl Menger and Eugen Böhm-Bawerk’s disciples in Vienna. Robbins, more than anyone, helped to introduce to English economics a new account of the capitalist crisis which blamed an expansionary monetary policy for the problem of over-investment in fixed capital—the source of deflation—and thus for the transformation of what otherwise might have been a tolerable, normal recession into a world-historic depression.

It was during this restaging of the Austrian *Methodenstreit* that Robbins recruited the young Friedrich von Hayek, a prodigy in Ludwig von Mises’s famous private seminars, to the LSE. In the pre-war period the department developed into an international nerve centre for those opposed to an emerging Keynesianism, notably Frank Knight and Jacob Viner at the University of Chicago. Viner, closely tied to Robbins intellectually and personally, had simultaneously set up, with Knight, a programme articulating their principled opposition to Roosevelt’s New Deal. After the 1936 publication of *The General Theory*, Keynesianism had largely overtaken the more strident liberalism of Mises in academic economics; their work brought the LSE and Chicago into increasingly close contact.

Burgin takes care to specify the conceptual differences between these groups. Although they both claimed an epistemological modesty, from which

their free-market recommendations issued—given the limits of human comprehension, only the aggregate decisions of individual consumers could determine social need—Robbins and Hayek at the LSE were far more amenable to an unleashed capitalism than their North American counterparts in Hyde Park. In Burgin's telling, Knight, 'the most influential of the market advocates at Chicago during the interwar years', refused systemic absolutes, including the promises of the severely limited state along Hayekian lines. But Knight's concern had a moral as well as an epistemological dimension. Capitalist society bred deformed subjects: it could sustain itself 'only to the extent that it consisted of individuals whose behaviour departed from the norms it incentivized'. In other words, the market was only the best of bad alternatives, and required an extra-economic moral basis.

Global scepticism cut both ways for Viner, too. In his defence of the market, he claimed no fidelity to any 'abstract doctrine', and this allowed him criticism of economic concentration as well. According to Burgin, Viner notably deferred to popular sovereignty over the imperatives of markets, understanding the vocation of economists as that of fastening public demands—even for direct economic controls—to workable policy responses. Such formulations were perfectly acceptable to Knight's former pupil from Iowa, Henry Simons, who had joined the Chicago faculty in the late 1920s. Burgin contrasts this way of thinking with later Chicago liberalism, whose partisans, he relays, looked back in horror at Simons's writings, positioned as much against the monopoly power of big cartels as the meddling of the state.

Parallel contemporary formations existed in continental Europe at the time, outside of Austria. Among them was the *ordo-liberal* group at Freiburg, under the direction of Walter Eucken and Franz Böhm. Like-minded colleagues in Marburg and Berlin, Wilhelm Röpke and Alexander Rüstow, both fled to Istanbul in 1933. The former eventually settled at William Rappard's Graduate Institute of International Studies in Geneva, holding a post there until his death in 1966; the latter remained in Turkey until 1949. After the war, Eucken and Böhm founded the journal *Ordo*, with Hayek, Röpke and Rüstow as contributing editors. In France, the key figure for Burgin is the philosopher Louis Rougier, formerly of the Vienna Circle, who in 1937 was appointed editor of the *Librairie de Médecis*, which aimed 'to promote liberalism and to combat potentially subversive political theories', i.e. Marxism. Rougier, later *consigliere* to Pétain, eventually found his way to the New School on a Rockefeller grant.

The appearance in 1937 of Walter Lippmann's *Inquiry into the Principles of The Good Society* 'sent seismic waves' through this network. Rougier published it in French the following year, under the imprint of *Librairie de Médecis*, as *La Cité libre*. Burgin writes that the disparate groups of

Depression-era liberals, operating until then often with only a dim awareness of one another and with only partial contact, seized on the book by this well-known American commentator as a point of unity. By August 1938, in an initial effort at formal ideological coherence, Rougier had arranged for their first international meeting, held in Paris, titling it the Colloque Walter Lippmann. The conference, following the spirit of Lippmann's book and in line with Rougier's political agenda, sought a revival of liberalism which could orchestrate an international response to the trend of planned economies in the advanced capitalist world, while revising it enough to avoid the problems of *laissez-faire*. It set in motion the programme of an international 'constructive liberalism'. Burgin stresses Rüstow's view of the majority perspective within the colloquium, which emphasized the political and ethical limitations of the nineteenth-century liberal model:

In order to rescue liberalism, it would be necessary to find a way to reconcile liberal insights with the fundamental human need for integration into a broader social organism, with stronger lines of connection than those provided by abstract reason alone. Lippmann expressed implicit agreement with Rüstow, indicating that the maximization of utility was a social good but not necessarily the only standard by which progress should be measured, although Rüstow reminded him that acknowledging this raised the unresolved question of what alternative standard one should apply. This vision of 'constructive liberalism' relied on an acceptance of the idea that the problems with *laissez-faire* could not be addressed merely through a network of limited restrictions on the grosser excesses of the market. Rather, they demanded the abandonment of the abstract paradigm of the *homo economicus*, and the integration of the market economy into a redefined and morally renewed social order.

Supplements to the logic of the market could indeed include a generous menu of social welfare protections. It is in fact the core of Burgin's argument in *The Great Persuasion* that this constructive liberalism—dubbed 'neo-liberalism' by Rougier at the 1938 conference—was of a different order altogether from the paradigm of the 1970s and 1980s. He warns that 'the history of the latter must resist the temptation of presumed continuities'.

Burgin does not reject continuity as such, however, since his history depends on institutional linkages built up by the Mont Pèlerin Society, the most direct successor to the Colloque Lippmann. Founded in 1947 by Hayek, with funding from the Swiss businessman Albert Hunold and from the legacy of Kansas City furniture millionaire William Volker, the history of the group provides the framework for the central sections of Burgin's book. He has good reason for this, since the Society featured the spectrum of notable liberals of the time—from Ludwig Erhard to Milton Friedman—

and operates to this day, drawing hundreds of members to its annual and regional meetings, which have been held on every continent. For Burgin, the shifting internal politics within the Mont Pèlerin Society heralded ideological changes in the world of post-war liberalism. Indeed, one need only look at the original statement of aims of the society to see that, in its ambiguity, it left open much room for internal disagreement, allowing for state action ‘not inimical to the functioning of the market’. Its charge would be to preserve the market, and this could only be achieved by presenting it as part of a ‘compelling world-view’.

Among the emerging factions within the Mont Pèlerin Society, Burgin argues, a more crusading and virulent form—totally opposed to the tempered, social philosophy of Hayek and uniformly hostile to social welfare and wide-ranging scientific inquiry—took command in the aftermath of what is sometimes known as the Hunold affair. In this telling, the Society’s original funder, prone to paranoiac fits, took the moderate Röpke with him as he abandoned an alienated membership to the American economists at the University of Chicago, led by the young Milton Friedman. Though a great admirer of *The Road to Serfdom*, Friedman set aside the synthetic ambition of Hayek in pursuit of a publicity blitz, monochromatically focused on finding policy answers. He formally assumed the presidency of the Mont Pèlerin Society in 1970, but Burgin suggests that the publication of *Capitalism and Freedom* in 1962 effectively resolved the subterranean struggles within the society in favour of an offensive against all forms of state intervention, signalling a revival of laissez-faire at the dawn of what Burgin calls ‘the age of Milton Friedman’:

Cumulatively, Friedman’s new polemical mode heralded both a return to the market advocacy of the nineteenth century and the arrival of something wholly new. In his efforts to expound his approach to political economy to the public, Friedman developed the rhetorical architecture of an unapologetically market-centered world.

This is the nub of *The Great Persuasion*: neo-liberalism was, until the late 1950s, a relatively moderate, defensive intellectual movement, open to reconciliation with the social state. Its transformation tilts on Friedman’s ascent through the ranks of the Mont Pèlerin Society network. The last third of the book is given over to Friedman’s rise from small-town New Jersey to the University of Chicago, with a war-time stint as a Federal statistician. Dazzled and politicized by the 1947 meeting of the Mont Pèlerin Society, Friedman only achieved public prominence as an adviser to Goldwater in 1964, the year after the publication of *A Monetary History of the United States*. In contrast to Hayek’s high-minded exchanges on capitalism, culture and religion,

he cultivated a brash populism: 'The two groups that most threaten the market are businessmen and intellectuals', etc. By the late 1960s Friedman was launched on a glitzy, high-profile career—*Newsweek* column, *Fortune* profile, *Playboy* interview—and henceforth did little substantial scholarship. In 1973 he was electioneering in California with Ronald Reagan, who 'could not resist Friedman's infectious enthusiasm'. Honours were heaped upon him; towards the end of his long life he could crow that, in his experience, taking unpopular positions had seldom involved high costs.

Narrowing his focus after 1962, Burgin presents latter-day neo-liberalism as a one-man show. Missing here is any concept of mediation: why did *Newsweek*, *Fortune*, the *New York Times* and the *Wall Street Journal* want to publish Friedman's views? Burgin offers no analysis of the conjuncture of the 1970s, nor does he pause to examine the causes of falling growth and rising inflation. Labouring to confine Friedmanite neo-liberalism to the hard right of American politics, he struggles to explain the onset of monetarism under the Carter Administration, with Federal Reserve Chairman Paul Volcker's restriction of the money supply in 1979, beyond saying that Friedman's writings had 'shifted prevailing views'. Elsewhere, we are told that Reagan's 1980 election victory marked 'the rise of Friedman's ideas', as if stagnation and falling real incomes had nothing to do with it.

Similarly, Friedman's idea for a negative income tax—effectively, a basic income—is explained simply as a 'Trojan horse that would allow for the gradual diminution of welfare benefits until they disappeared altogether', to the benefit of the Republicans who sought to undermine the popular New Deal-era bureaucracy. There is no discussion of the broader intellectual climate in which this proposal was made. Defying Burgin's thesis, which takes Friedman at his word, it was the Democratic Party which oversaw the most significant reduction of the welfare state in the US, without any political need for a compensatory, simplified, basic income. The limits of Burgin's perspective are equally evident in his treatment of Friedman's own transformation from the mainstream of the Mont Pèlerin Society to its libertarian fringe. Real historical changes disappear in his narrow-gauge focus on professional rivalries within the Society.

Burgin makes much of 'the role of ideas in history', but his method often appears less philological than simply idealist. In his account, economists transmit their wholly conscious intent in a language whose meaning is self-evident, designed to produce—and in this story, successfully producing—the exact desired effect. In this way, Burgin renders ideas as inert quantities, their varying expression across time and space the result of the degree of their dilution. The necessary adjunct to this theory of historical causality is the determining force of great personalities, administering the doses. Rather than qualitatively distinct, their ideas are determined by the ratio of

two ingredients: state and market. It is striking that an intellectual history of economics should have produced this mechanical schema, the kind for which economic history itself is usually censured. What is absent is any assessment of ideas as accurate representations of reality—in this case, of the actual dynamics of the world capitalist economy.

Burgin's claim that neo-liberals only achieved policy influence in the US involves an extraordinaryedulcoration of the group's politics. He simply fails to mention the earlier role of Mont Pèlerin Society member Alfred Müller-Armack in Nazi Germany. An NSDAP member and author of the Nazi pamphlet *Staatsidee und Wirtschaftsordnung im neuen Reich* (1933), Müller-Armack became an adviser to Ludwig Erhard and an official in the Ministry of Economics during the post-war period. Nor does Burgin mention that Rougier, organizer of the Lippmann colloquium, was funded by the industrialist Marcel Bourgeois, a backer of Jacques Doriot's fascist Parti Populaire Français. The aporia is so great that Burgin at one point describes the neo-liberals as 'vocal anti-fascists'. Where *The Great Persuasion* broaches the topic of the Chicago economists in Chile, it is largely to commend Friedman's sensitivity in not accepting an honorary degree from Pinochet. There is no mention here of the open subversion of Allende, freely admitted by the Chicago-trained economists, nor of Friedman's 1982 talk of the 'Chilean miracle' as both economic and political. Nor does Burgin discuss Hayek's well-documented friendliness with the Pinochet government, and his role in securing the 1981 regional Mont Pèlerin Society meeting in Viña del Mar—a deliberate provocation, since this was the city from which the coup d'état against Allende originated—thereby undermining his leitmotif of an apolitical Hayek overtaken by the crusading Friedman, as well as any ambiguity in the political commitments of both.

Burgin's framework has the advantage of simplicity, and is useful in understanding the basic textures of the Mont Pèlerin Society group. But simplicity becomes distortion when entire continents drop off the map. After accounting for Friedman's ascent to the presidency of the Society, the promise of a transnational history of ideas is largely abandoned. A reader of *The Great Persuasion* could hardly be blamed for thinking Wilhelm Röpke's political influence had been confined to American conservatism, mainly as a touchstone for William F. Buckley's *National Review*, though he was mentor and adviser to the Chancellor of the Bonn Republic. Burgin's failure to mention either the IMF or the World Bank in this history of neo-liberalism, as potential instruments of international capital and of American economic diplomacy, is another outcome of its restricted view. This parochial conceptualization allows him at one point to refer to Jeffrey Sachs, shock doctor of Eastern Europe, as an economist 'on the left'.



A provincial North American focus likewise strains the lines with which Burgin would divide neo-liberalism: the orthodox faction which recalled nineteenth century laissez-faire, and the heterodox one open to the possibility of state intervention. The difference between these factions is inflated. In his *International Order and Economic Integration*, Röpke idealized the liberal nineteenth century, its free-trade regime made possible through the international principle of *pacta sunt servanda*, ensured by British imperialism. Nor is there any discussion of neo-liberal outcomes in Europe. Erhard himself, architect of the ‘German miracle’, Chancellor of the Federal Republic from 1963–66, and a member of the Mont Pèlerin Society, appears only once, as an intermediary between warring factions in its ranks during the Hunold affair. Readers of this volume will get no sense of Erhard as the architect of deflation in the immediate post-war period, following ordo-liberal advice; nor of his push within the CDU for the abandonment of the Christian-Socialist Ahlen charter. The Düsseldorf guidelines of 1949, which replaced it, called for a society grounded in ‘performance-based competition’ in a market setting, to be secured by law.

As for the neo-liberal features of the European Union—from its technocratic, juridical committees, beyond the reach of democratic pressure, to the capital-friendly terms of the Maastricht Treaty, which expanded the austere charter of the Bundesbank to the entire Eurozone—these never enter into Burgin’s line of sight. This omission has the effect of obscuring the real historical experience of neo-liberalism in continental Europe, presenting it as an alternative, moderate recipe, not yet tried. Neo-liberalism is better conceptualized as a liberal strategy that is not in the least opposed to regulation or the state as such. Rather, it casts the state as an adjunct to capital, one capable of regulating democracy by appeal to market rationality. There is geographical variation in neo-liberalism’s expression. But Europe remains the most deflation-prone region of world capitalism today, not least because of the ECB’s interest rate hike of 2011. In opening a more expansionary sequence in recent years, Mario Draghi has been careful to assure central bankers that the ECB will not stray from its ‘ordo-liberal principles’, a suggestive comment that would repay historical investigation. The same is true of the European Commission and contemporary German political leadership, enforcing to this day the austerity directly culpable for the catastrophic depression in Greece.

*The Great Persuasion* cannot be burdened with accounting for all of these outcomes, since it is expressly a history of ‘free-market ideas’ rather than policies. But the extent to which Burgin represses neo-liberalism outside of the United States—and especially in its European homelands—is a serious flaw of this study. It was in Europe that the Mont Pèlerin Society penetrated the

highest levels of officialdom, including among its membership European heads of state, such as Erhard or Luigi Einaudi of Italy, as early as the 1950s. The EU, a novel political apparatus, was re-built, and its member states' economies restructured, in the very period that neo-liberalism was gathering momentum. In the European context, the persuasion in question is not as recent as Burgin claims. It has concerned not so much a 'return to laissez-faire' as the solidification of neo-liberal regulatory institutions, immune to democracy. A history of the relation of these terms might have produced a more trenchant account.

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