



The Strange Birth of Neoliberalism

By

William Coleman¹
Research School of Economics
Australian National University

ANU Working Papers in Economics and Econometrics
572

March 2012

ISBN: 0 86831 572 9

¹ I would like to express my debt to the comments of Henry Ergas and David Henderson.

The paper interprets the neoliberalism' of Friedman, Hayek (and others), as a partly successful doctrinal reformulation of 'historical liberalism' that certain material realities had by the mid-20th century proved solvent of. It argues that in the post-War period it was the doctrinal reformulations of political and individual freedom associated with neoliberalism that re-established the potency of ideas of 'free market and 'limited government'.

I The Question

In matters of economic policy it may be said we live today in the Big After ... after Keynesianism, after Monetarism, after socialism, after liberalism; and after neoliberalism (certainly).

We live in the age of 'whatever works'.

Except that nothing seems to work.

This raises the thought that - instead of hurrying between one nostrum and another- we might do better to wait another 'ism' to descend. But how long would we wait? What circumstances are favourable to the generation of isms?

That general question may perhaps bestow an interest on the more particular query this paper; what brought about the advent of "neoliberalism"? What occasioned that great swing of the ideological pendulum, pivoted on economic thought, that was set in motion in the late 1940s by (among others) Milton Friedman, F.A. Hayek, James M Buchanan and Ronald Coase?¹

¹ In bringing these authors under the same heading of 'neoliberalism', this paper is evidently imputing a significant commonality among these authors,

The answer is far from clear. For the circumstances of its genesis were far from congenial to a revival of classical liberalism. Neoliberalism entered the world in vital youth of the 'Age of Keynes'; when the stocks of classical liberalism were at a nadir; when liberalism was deemed a mid-Victorian relic; her political vehicles marginalised, her title to be the standard bearer of Progress long since usurped by socialism; even her favourite science, economics, forsaking her.

The hostility of the 1940s environment to a resurgence of liberalism is underlined by the fact that one contemporary witness – Eric Roll (1945) – declared the resurgence to be “astonishing”. Others thought it literally unbelievable; it is recorded that some of Friedman’s students in the late 1940s could not credit him with any sincerity in his positions; it had to be pose intended to shock (Fand 1999, p.19). Of course, the most shocked were the most left.

The stark fact is that the rise of neoliberalism was not predicted by any Marxist of any persuasion.

Howard and King (2004, p.38)

Or by anyone, of any persuasion.

The element of mystery is underlined by the fact that the *dramatis personae* we are dealing with constituted rather *unusual* suspects; in that several of its main players - Buchanan, Coase, Friedman- had adhered to quite distinct positions in the years just prior to the 'strange birth'. Buchanan and Coase were socialists (see Henderson 1999 and Coase 1996²), and Friedman was a

despite their differences. The paper at the same time the paper is excluding from this heading 'ordoliberal' and Austrians.

² 'As a young man I was a Socialist', Coase 1996, p.106.

Keynesian of the purest milk, who in print squarely rejected any responsibility of the money supply for inflation (Friedman 1943).

Inflation is always and everywhere a monetary phenomenon

Milton Friedman (1970)

Inflation has its genesis in the increased volume of spending by consumers, business and government.

Milton Friedman (1943)

What happened?

This paper suggests that those unpropitious circumstances are part of the story.

The paper suggests that advent of neo-liberalism constitutes one example of that recurrent dynamic whereby peripheral elements of society; both intellectual and material; tug away from - as if to tear up - what they judge to be the false consensus and tainted bargain that constitutes the ruling order.

More particularly, the paper will argue that in the post-war period the revival of capitalism's animal spirits combined with certain doctrinal reformulations of liberalism re-established the potency of liberalism as a centrifugal force.

The references to 'doctrinal reconstruction' above make it evident that the paper is analysing the advent of neoliberalism as a piece of intellectual growth. In other words, in this paper's view it is mistaken to see neoliberalism simply as a *program of policy*; a sort of 20th c Anti-Corn Law League. It was a program of policy, but it was more than that. It was a piece of intellectual development.

No wistful revivalism of things past, Neo Liberalism constituted, like many episodes in the history of ideas, an (at least partially successful) attempt to deal with the problems of its antecedent intellectual current, by reconciling of its key positions with apparently incongruent facts, arguments and ideals.

But at the same time neoliberalism wasn't only an *episode of intellectual growth*; it had some social role or function. But its social function was more effectively performed on account of its intellectual growth.

To make the case for all this the paper has a several things to do:

It will begin by staking some assumptions how social philosophies relate to the societies. It will then clarify the usage of the term "liberalism". The largest part of the paper will be devoted to explaining how the doctrinal structure of liberalism imparted to a centrifugal force with respect to *ancien regime* orders; and how neoliberalism's doctrinal reconstruction replenished its centrifugal force with respect to the very different orders of mid-20th c western world. Finally, while the paper is concerned with beginnings, I cannot resist concluding by reflecting on some ironies of 'the end'.

II A Schema of Society

With a preparatory purpose, this section sketches a schema of the relation of social philosophy to society.

To begin with a commonplace; we will suppose that out of the conflicting passions of humanity there emerges and prevails – barring brief 'revolutionary' interruptions - a ruling regimen, or order. To speak of an order is to speak of that something is pacifying, which is highly functional. To speak of a *ruling* order is to say that this order, though coalitional, will inevitably 'belong' to some more than to others.

The order is built upon two things: a certain management of material factors ('interests'), and a certain management of ideal factors ('values'). With respects to interests, it rests upon a certain bargain over the allotment of material resources. With respect to ideal factors, is sustained by some compromise over values; as any order requires legitimacy; and it can obtain sufficient legitimation only by sufficiently observing certain values.

Tensions are inherent in this order. As the interest bargain exists to preserve the ruling order, not to maximise material performance, that bargain will serve some interests to the costs to others. There is a parallel problem with the values compromise. In this quest legitimacy the ruling order will seek to be assimilative and integrative, but it is constrained in that endeavour by the inevitable plurality and inconsistency of values. The upshot is that the 'value compromise' of the ruling order will not compose all the colours of the value rainbow; it will not constitute a colourless white light; but will be possessed of a particular hue, however mediocre (literally) and ugly (to some).

These tensions will have consequences. Since the ruling order disregards certain interests and certain values, those slighted in both material and value terms will pull against the force field exerted the ruling order.

There are several manifestations of this distintegral response to tensions. The most concrete is, presumably, exile. But a different manifestation is critical here. Among persons offended by the value compromise there are some whose frustrations will not impel their exile, but who will have their minds wander over thinkable worlds in the attempt – in Hayek's description of his own work - to 'picture an ideal', that will provide a scale to accurately judge existing societies, and intellectual gyroscope determine the direction in which it is desirable to move. I will call them 'social philosophies', although they are

effectively “Utopias” in Karl Mannheim’s sense. But these ‘utopias’ are not intended by their authors as ‘utopian’: the ideal is intended to be feasible, and is consequently prepared from positive as well as normative materials. But for all that aspiration to feasibility, the ideal cannot be realised; the sketch of the ideal is inevitably indistinct and, anyway ... it is not ideal. Yet a sufficiently dense combination of defects and merits will recruit a breeding population, intellectually speaking, of the like-minded, producing over time development of the ideal.

In their attempt to develop this ideal the authors of social philosophies will draw on science, as will sometimes the administrative ‘craftsmen’ (= experts) that run the state apparatus that maintains the interest bargain. But whereas experts are pacifying, moderating, and integrating, the authors of social philosophies – call them intellectuals – are agitating, purifying and centrifugal; seeking to dissolve value compounds of the ruling the order, and to extract the particular ore they prize; to prevent ruling the order painting the world one sickly ochre. Put in a metaphor (which even has some concrete reference) the function of the authors of social philosophy is to prevent ‘world government’.

III An Anatomy of Liberalism

Examples of ‘social philosophy’ - liberalism, socialism, conservatism - are pictures of an ideal; and being so cannot not (and cannot be) coincident with of the administration of things; sometimes nearer, sometimes farther, they must always be *centrifugal* in some degree to the interest bargain and value compromise.

How centrifugal? What will be the size of that centrifugal force? One factor may be their doctrinal structure. Classical liberalism is an illustration.

Classical Liberalism, is that train of thought, recognisable from the 18th century, that upholds a compound of normative values and positive propositions. Its leading values [or ethics or goals] may be taken without controversy to be,

Freedom

Wealth

Reason

These are surely not the only values a classical liberal will hold; but a classical liberal will hold these three to be 'trumping' of any others. Obviously this trumping may be refused by those of a different philosophy; and the values themselves may be refused by those of a different philosophy. Having said that, a nominal adherence to these values is fairly widespread in the West today; liberals sometimes assume they are unrefusable. This is arguable today, and certainly untrue historically. They were obviously antithetical to the leading values of pre-modern or *ancien regime* societies; say, structure, honour and continuity.

In that 'values contest' of more than two centuries ago classical liberalism was significantly assisted by the development in the 18th c of a set of positive propositions about human nature and 'the world'. These disposed of a danger that lay in the plurality of values of Classical Liberalism; the danger of conflict between the values. But 18th century economic and social theory implied there was, not conflict, but a mutual 'valency' between elements of the triad; – the three value atoms form molecule – they hang together, cohere, constitute allies.

Thus classical political economy maintained that Freedom advances Wealth; this is the famous Smithian proposition, and perhaps the strongest

propositions of classical Liberalism. But beyond that it was also held (in the minds of Montesquieu and Hume) that Wealth - or commerce- was nurturing of Rationality (see Hume (1777) and the 'doux commerce' thesis of Montesquieu). Beyond that in turn, it was held that rationality was productive of Freedom. That 'thinking for yourself' is a precondition for true freedom is a prominent theme of several classic statements of liberal outlook, including Kant's *What is Enlightenment?*³ and Mill's *Liberty*. Additionally, this notion in its negative form - that irrationality aids and abets authoritarianism – was one with the Enlightenment belief in the culpability of 'superstition' in arbitrary government.⁴

There was a link running from freedom to wealth, and wealth to reason, and reason to freedom ...

18th c economic and social theory also supposed links running the other direction...

That Freedom fosters Reason (by the competition of ideas) is the well-known Millian proposition. Classical Political economy reinforced that link by supposing that the free market would materially reward rationality. Presumably reason's productivity of wealth is the least contentious link; and wealth's productivity of freedom the most. But with respect to the last link, Smith is very plain in tracing the decline feudal ruling structures to an increase in wealth (Smith 1776, III.4.15.)

³ 'Rules and formulas, those mechanical aids to the rational use, or rather misuse, of his natural gifts, are the shackles of a permanent immaturity.' (Kant 1784).

⁴ 'Superstition riveted their chains' Edward Gibbon, *The History of the Decline and Fall of the Roman Empire*, vol. 9 Chapter LIII

The clinching illustration of the mutual adhesion of these values is the market. And Smith's 1776 analysis of speculation in the grain market⁵ - whereby foresight and freedom produce everyone's betterment - is an exemplar. Here lay political economy's great gift to liberalism; it provides the concrete and argued exemplar of coherence of triad. It is no accident that in those most successful in resuscitating liberalism - the neoliberals - were those most alive to this gift (i.e. economists).

This mutual adhesion amounts to these three values constituting a 'package deal'; one comes with other. While that doesn't by itself *recommend* those values, the mutual adhesion must be good news for classical liberals; it must be animating to them, just as a mutual conflict must present paralyzing dilemmas. And the mutual adhesion will mean 'semi-liberals' - those who value only one member of the triad - to value the remaining members instrumentally.

Reinforcing the instrumental valuation of certain liberal values was the apparent coherence of the triad with other values; by the opening of the 19th century, it appeared there existed still larger 'value molecules' that were stable. It appeared triad possessed a valency with humanitarianism, as liberalism could make powerful common cause over humanitarian issues [eg the coalition between 'Exeter Hall' and Political Economy over slavery, that so maddened Thomas Carlyle, and was personified in Henry Thornton]. The triad possessed a valency with Order that would gratify Conservative Liberals (Macaulay); a valency with Equality, that would gratify Radical Liberals (a George); even distributive justice (JB Clarke); and perhaps even nationalism?(Mazzini)

⁵ 'Digression Concerning the Corn Trade and Corn Laws' , the *Wealth of Nations*

In the 19th c Liberalism drew strength from the muster of such hyphenated liberals. Thus free, rich, enlightened, humane, orderly and equitable; a virtual escape from any 'value compromise'. The result was not the realisation some Classical liberal utopia on earth (witness the unrequited longings of Henry George and Herbert Spencer); but a shifting of ruling orders in the west that had – by around say around 1870? - brought its interest bargain and value compromise much closer to classical liberal ideals.

IV the Decline of Classical Liberalism

What happened?

Firstly, The very success of classical liberalism undercut hyphenated liberalisms.

Order and freedom

In the reaction to the fall of the 'ancien regime' in France there had germinated doctrines that disputed any Conservative Liberal belief in the valency of order and freedom; liberalism was a philosophy of disorder, a 'wretched procurer of sedition' (see Coleman 2002, chapter 2). Their issue were ideologies of hierarchical collectivism, that 'fascism' drew some its energy from.

In a parallel way, the apparent congruence between *equality and freedom* and *humanitarianism and freedom* was undercut by the appearance that the new the liberal order was replacing old sources of inequality with new sources of inequality, and old inhumanities with new inhumanities ⁶

⁶ The end of the mercantilist era - and 'ancien regimes' - was the end 'Smithian socialists' (see Thompson 1984 for an attempt at constructing this category of

Secondly, liberalism was menaced by an insurgent value and phenomenon of democracy.

The latter half of the 19th century saw the movement towards a mass franchise, and the spread of democracy as a touchstone of judgement of the rightness of things. This left liberals incommode on account of the kinship that liberals perceived between Democracy and Collectivism. And their perception of such a kinship was logical, at least according to common conception of 'democracy' of the day. In this conception democracy was the articulation of the General Will by means of majoritarian institutions. Such 'democracy' is highly kindred to collectivism; all legitimacy is based on a majority decision. Everything, directly or indirectly, seems to properly occur at the licence of a majority. This conceptualisation would be reinforced by the inauspicious correlation, from the latter half of the 19th c, between the extension of the franchise and the strengthening of collectivism; an extension noted with some satisfaction by socialists (Durbin 1945).

The arrival of political democracy exposed a pre-existing ambiguity in the liberal value of freedom; was it a matter of 'free persons' or of a 'free people'? The apparent conflict between the two seemed to make necessary a choice between classical Liberalism and Democracy, and the choice was not favourable to classical Liberalism.

Thirdly – and most importantly - classical liberalism was disabled by the apparent loss of valency between elements in the triad.

'socialist'). And industrialisation occasioned a conflict between humanitarianism and freedom.

The least problematic valency in the triad would seem to be between reason and wealth. But that valency had more than one characterisation; and one highly plausible characterisation was antithetical to the triad'; the 'Conquest of Nature' world view (see Coleman 2002).

According to this world view, society's problems are a matter of society's ignorance as to how to manipulate and direct the natural world, and that ignorance would be conquered by scientific method – the method, we may note, that is most public and 'collective' of all methods of reason. The upshot was that Natural Sciences would be the necessary and possibly complete proximate solution to the world's problems.

Although originating in the 17th c, it was in 19th century that the Conquest of Nature paradigm seemed to receive a vivid vindication from the scientific, technological, and 'industrial' revolution of that period. Science's new 'powers' (steam, electricity, petroleum) were obvious; but perhaps the most powerful (apparent) exemplification was the public health revolution of the late 19th c – science understood a dreadful problem (infectious disease), and scientific management of sanitation seemed to largely dispose of it. And as this seeming vindication was contemporaneous with the burgeoning of socialism, the Conquest of Nature paradigm was largely adopted as socialism's theory of *how* socialism would secure the promised benefits of socialism, and the Veblenesque vision of rule by engineers was soon rather literally implemented in the Soviet Union.

By 1930s science, rationality and enlightenment appeared to be on the side of the 'social engineer', 'scientific management' and 'planning'. Thus *the rationality that was complementary welfare was hostile to freedom*. And to stickle for freedom was to spurn enlightenment. Beyond the vivid cases of

Haldane and Bernal, the outlook is characteristic of hugely influential inter-war figures of Dewey and Beveridge (Harris 1997, Ch 11).

Economic theory never subscribed to the Conquest of Nature paradigm, but the outlook harmonised with developments economic theory of the early 20th c. that suggested the economic ideal could be stated scientifically in terms of mathematical expression of 'objective' (observable) conditions involving no market categories; but which – economic theory further suggested - 'the invisible hand' would not secure. The developments of these benchmarks that seemed to fail the market arose 'paradoxically' on account of neoclassical economists of the late 19th c having providing a far better *case for the market* than the classical economists had ever done. But 'better' means explicit and deductive; and explicit and deductive means vulnerable to criticism. The third generation of neoclassicals began to probe the weak points in the case, and as the 20th c approached its midpoint the Smithian doctrine of the maximal promotion of the general welfare through the pursuit of the private good was subverted by neoclassical theorising.

The imperfect competition revolution of the 1930s made fallacies of old theorems of the market system, as Schumpeter put it. Harold Hotelling argued that in important circumstances the market could not sustain socially efficient marginal cost pricing (1938, 1939). AC Pigou had as early as 1912 aired the contention that that marginal cost pricing that was achieved by the market would frequently be socially efficient; as the free market in common circumstances will over produce 'bads' on account of the beneficiaries of some activity not paying for all the negatives the activity involves. Repeated editions of his *Economics of Welfare* expanded the thought, and by the 1930s it was a commonplace critique pressed with vigour by market critics (eg Durbin 1935).

Thus the rationality of the 'marginal cost' was turned against the market, with Lange driving in the stake in by pronouncing that marginal cost outcomes could only be secured under socialist planning (1937).

With respect to the macroeconomy, Classical liberalism's supposition of a congruence between Freedom and Wealth had also received a massive blow in from the Great Depression; and that damage was reinforced by Keynesian economic theory. In the Keynesian theory of national income there was, indeed, an acute incongruence between Freedom and Wealth: we would all have higher incomes if we were all compelled to consume £1000 more than we would freely choose.

The case for Keynes's contentions rested on a subversion of the classical economists' belief of a synergy between freedom and reason in the generation of wealth. Keynes believed his 'general theory' of employment was ultimately founded on, the fact that human reason was not (in general) capable of the performances in asset markets it was presumed equal to by classical and neoclassical economist, on account of those theories overestimate of human foresight; that any isolated patches of foresight would not be reward by assets markets but would be injured by them⁷; that the most common species of foresight was a foresight of the vagaries of human judgement, and this foresight only fostered harmful instability in asset prices; and that in such a world of hazardously low visibility the money asset took on the function of a 'security blanket'; and the clutching of that blanket prevented the investment necessary for full employment, and thereby took away natural scarcity, and so overthrew the rationality of orthodox economic policy.

⁷ 'I have reluctantly reached the conclusion that nothing is more suicidal than a rational investment policy in an irrational world' a comment attributed to Keynes by Hettinger (1963, 810).

And so – to get to the nub of the matter - whereas Smith had said what was prudence in the household could only be prudence in great kingdom, Keynes implied that it would be prudent for a great kingdom to hope for imprudence in its households.

The upshot of all this is that economics, that had provided the exemplar of the congruence of the triad elements, now seemed to teach their incongruence. The incongruence was not only painful, it raised difficult questions that could previously be eluded; do you want to be free if it means being poor? does freedom ‘trump’ reason or wealth? And could anyone say? Uncertainty paralyses.

V Democratic Collectivism

The predicament of classical liberalism was compounded by the efflorescence in the 1940s of a social philosophy that would champion the kind of freedom and the kind of rationality liberals were deaf to, without invoking the offenses against freedom and rationality that Marxist socialism had committed. This it would blend Keynesianism, Planning and a Welfare State, all in the context of a genuine democracy, and I will call it ‘democratic collectivism’.

In economics Abba Lerner’s *The Economics of Control* (1944) exemplified this spirit. Other examples, of less theoretical élan, are provided by Douglas Jay (1937) and EFM Durbin (see Durbin 1985). In the wider world, Democratic Collectivism was breathed by the hugely popular political novels of George Orwell and Arthur Koestler. Anti-socialists of all stripes like to appropriate Orwell etc for themselves, but Democratic Collectivism was profoundly at odds with classical liberalism. This enmity is plain in the appeal to Democratic

Collectivism in the appendix to Koestler's *Scum of the Earth* of 1941. Freedom there is equated with 'Chaos'.

Chaos + Democracy = Plutocracy, says Koestler.

Chaos + Autocracy = Fascism, he adds.

Planning + Autocracy = Communism.

But Planning + Democracy = ...?

Whatever it is called, that is the great and only hope of the world.

In the face of such a beguiling adversary, what chance had Liberalism?

Little wonder that when in 1947 Hayek called the first meeting of the Mt Pelerin society it was to devise a 'new version' of liberalism that would 'come to terms with certain real problems that had either been ignored or shirked' (Hartwell 1995, 33).

VI Alternative Liberal Revivals

Any reformation project is likely to be beset by two forces pushing in different directions. They could be formulated as 'complicating' and 'simplifying'; but perhaps 'adding colour' versus 'increasing contrast' might capture the distinction better.⁸

In the context of the 'reformation' of liberalism, the 'strategy of complication' crystallised in the contention that that the triad will survive and perform its

⁸ Of course, other moves were possible. A reformulated liberalism could have sought to disarm collectivism by claiming its favoured weapon – equality – and go on make common cause with the left in battling 'the corporation' – a new reality that had been unpopular. (And establishing an equitable tax system.) This was a strategy of Henry Simons the standard bearer of Chicago in the 1930s. We know this was not pursued.

feats only *when set in a social context*; when ‘the market’ is embedded in a certain net of mores. That is, when the values of the triad are supported by other values.

The most vocal representative of this tendency of thought was Wilhelm Röpke, who played a key role in the foundation of Mt Pelerin Society, and who may be said to represent a road not ultimately taken. In the 1930s Röpke had established himself as an adversary of collectivism and corporatism. But in his *Social Crisis of Our Time* of 1942, he advances a critique of what he calls ‘historical liberalism’ (ie classical liberalism). The ‘catastrophic mistake’ of historical liberalism was ‘to consider the market system as something autonomous, something based on itself, as a natural condition outside the political sphere requiring no defence or support, and to overlook the importance of an ethical, legal and institutional framework’. Without this framework the ‘political, economic and rational’ goals will be prey to certain inevitabilities in human nature, and, indeed, will fall prey to each other. In other words, Röpke did not subscribe to the valency of the triad. This pessimism resonated with another Mt Pelerin participant, Michael Polanyi, who at the same time was arguing an unmoored rationalism destroyed all values, including freedom (1946).⁹ Schumpeter (1943) in a more specifically economically vein had argued that rationalism would ultimately destroy the entrepreneurial capitalism he so admired.

This ‘broadening’ strategy of Röpke was inevitably moderating of the claims of classical liberalism; but it would be wrong to see this tendency has amounting to assuming a middle position of the conventional spectrum; a bit of market, a

⁹ Röpke’s rejection of ‘science without conscience’ coheres with Polanyi’s aspiration to make something of a religion of the scientific enterprise.

bit of planning ... On a conventional ideological spectrum this tendency would be classified as 'conservative' on account of its emphasis on Moral Capital (over the physical capital of liberals); an emphasis whose terminus was Röpke's conviction of centrality of religion. For all that, this this tendency was also resonant of the left 'social liberalism' of the first half of the 20th c, that held that 'mutual aid' was essential complement to freedom. Indeed, the German policy mix that Röpke was associated with was dubbed 'social market liberalism'.

Contrasting with Röpke was a different impulse of reformation; one that turned not on 'broadening' but 'sharpening'; one that would recoil from meeting liberalism's adversaries half way or 1/4 way, but seek to defy them, by honing the incongruence of liberal tenets with those of their adversaries; and to model liberalism on the negative image of its most fatal adversary, Marxism. So, since Marxists had avowed an 'objective' theory of value, liberals should insist on an exclusively subjective theory of value. And as Marxists had favoured (up till then) a positivist methodology, liberals should champion an extravagant *a priorism* (Mises 1949). As Marxists stress conflict, make a precept of harmony (Mises 1962). If the labour market is that which is most offensive to socialists; then to classical liberals the labour market must be the *sine qua non* of any economic system. If to Marxists all value comes from labour, then make capital accumulation the focus of all hope (Mises 1945, 1962). If Marxism vaunts the mass and dismiss the individual, then liberalism must exalt the individual and scorn the populace. If socialists preach brotherhood, then despise fraternity and extol selfishness.

This might be dubbed an '*Anti-social liberalism*'. It could alternatively be dubbed 'radical' or 'extreme' liberalism.

In such a strategy of liberalism fashioning itself in the negative image of its Marxism there lies a rhetorical power; its bravado and 'paradox' will attract zealots. The outcome of this strategy, however, had little to do with neo liberalism, and, I would contend, liberalism. Philosophies of egotism; philosophies of omnipotence of human intellect; philosophies of the power of the machine; these have recurred in modern times, but they are not part of liberalism; they are, in fact, hostile to it. The strategy of contrast, I suggest, is not so much refortifying of the contested redoubt as exposing; weakening rather than strengthening.

What, then, the alternative 'broadening' strategy offer by way of possible useful reformation? Adding values seems attractive, but it comes with a difficulty; it creates potential conflicts with existing values. Freedom, in particular, doesn't give much space for the moral claims of other values. Perhaps freedom *should* make space for moral claims ... but insofar as it does we seem to drift away liberalism. To illustrate : Röpke's hostility to many concrete manifestations of capitalism – his quest for a 'just relation between performance and pay'; his agrarianism; his stand as 'cultural critic of capitalism' – may be right or wrong ; but it seems hard to square with classical liberalism. We are not surprised Röpke write that he 'never felt quite comfortable in the company of 'liberals', even when styled 'neoliberals' (Röpke 1960, 92).¹⁰ Neoliberals shared the discomfort. Friedman and George Stigler deemed Hayek's *Constitution of Liberty* a 'far stronger candidate' to represent the Mont Pelerin Society than Röpke's *Humane Society* (quoted in Hartwell 1995, 229). I suspect that doctrinal tension underlay the split in the MPS

¹⁰ The notion that the market requires careful embedding in society is, of course, central to the anti-liberal position of Karl Polanyi, that since served as a template for several anti-liberal frothings.

between an Anglo-American tendency (Hayek, Friedman and Stigler) versus a Continental tendency; a split that ultimately produced Röpke's resignation.

VII The Reconstruction: Freedom and Democracy

What, then, was the path actually taken by 'neoliberalism'? How did it cope with the crisis of classical liberalism?

In this paper's interpretation it developed the key concept of freedom, so as to reconcile it with the leading political current of the day – democracy- and to reforge its link to the leading non-political concern of the day – an effective economy.

With respect to the first, neoliberalism achieved a reorientation of liberalism towards democracy; from (at best) an oblique relation to being its truest champion, at least in its own mind. The key innovation was provided by James M Buchanan, and Public Choice theory, that broke the apparent kinship between collectivism and democracy; by repudiating the conception of Democracy as the articulation of the General Will by majoritarian institutions. Classical Liberals had always shrunk from such 'asiatic democracy', as Tocqueville dubbed it, but seemed at a loss to advance their own conception of legitimate mass collective action. Public choice did so, drawing on economics. To Public Choice democracy is no more than a system of competitive 'political markets': democracy is the political analog of the competitive market.

The legislature is not the Oracle of the General Will, the temple where that Will is divined; nor is it parade ground where that Will is marshalled and mobilised; or the jury room where that will is formed; and neither is it the Congress of

Opinions sought by John Stuart Mill. Buchanan, was rejecting the 'Athenian' conception democracy, that had proved appealing to liberals in their attempts at arrive at a congenial conception of democracy; and that had been advocated by Knight and Simons in their 1930s formulation of 'democracy as discussion' (Simons 1948), and by Popper in his formulation of democracy as criticism and experiment (Popper 1945). No; to Buchanan the legislature is a market place, where different political constituencies trade with other for their mutual benefit (Buchanan and Tullock 1962).

And in this market place there is no special grace about the majority as a precondition for collective action; the majority is simply one possible *price* of collective decision, among many possible prices; and as a price a majority may be a promiscuously low price (too many collective decisions), or possibly a prohibitively high price (too few collective decisions) or. If the majority has any special excellence is actually to secure the "cycling" that Social Choice theorists of the 1950s found so awkward; to secure the rotation of power between the 'inconsistent' and antagonistic particular 'wills' that compose the electorate (Buchanan 1954).

In as much as Public Choice adhered to the notion of General Will in democratic politics, it removes it to what Public Choice theory calls the 'Constitutional Phase' (= the constitution building aspect of political existence), where it may be presumed that there will be unanimity on the desirability of placing constitutional restrictions upon the prerogative of the majority in the *post* constitutional phase, in order head off the exploitations (in their favour) that majorities will support.

The upshot was Public Choice disencumbered liberalism of its suspicion of democracy 'correctly interpreted'. At the same time its economic

interpretation of politics when applied to *government* fuelled suspicion of government. After all government was a monopoly (a 'monopoly of force'), and what did liberals think of monopoly?

Thus whereas throughout the 20th c economists in the anglosphere had been wary of democratic politics but hopeful of government, Public Choice would have them wary of government but hopeful of democratic politics. And so it abetted a resurgence of populist rhetoric that pitted the people at the ballot box against elites in government.

Going beyond the reconciliation of democracy to liberalism was the annexation any free political life to liberalism.

The proposition is put most concretely in Friedman's defiantly named lectures of 1956 *Capitalism and Freedom*, where he reaches towards an equivalence of political and economic freedom. He argues economic constraint and political constraint as equivalent; would not controlling the issue of passports and controlling the issue of foreign exchange come down to the same thing? Coase in the same spirit in his massive studies of public sector communications recurs to the infringement of political expression by government monopolies: his case in point is the feud between Reith and Churchill, and the BBC's refusal to give a microphone to Churchill in 1930s (1947, 1954). Coase later trialed the notion that the case for free markets is the same as the case for free speech (1976). This possibility had been expressly rejected by Mill in his *On Liberty*.¹¹

¹¹ Mill: 'the so-called doctrine of Free Trade, ... rests on grounds different from, though equally solid with, the principle of individual liberty asserted in this Essay. Restrictions on trade, or on production for purposes of trade, are indeed restraints; and all restraint, *quâ* restraint, is an evil: but the restraints in question affect only that part of conduct which society is competent to restrain, and are wrong solely because they do not really produce the results

The neoliberals were rejecting what many people - including Mill - accepted: 'the polity is one thing and the economy is another'; a political domain where there is one appropriate criterion (say command and force); and an economic domain where there was a completely distinct criterion (say exchange and contract). Of course, to say there is one domain is to not to decide which of these criteria is appropriate for this one domain; but it is suggestive that to choose command in economy is to come down to choosing command in politics. Here we come to Hayek's stern counsel of 1944 to the Western public that it could not pick and choose between command and exchange, but had to 'make up its mind'. *The Road to Serfdom* pronounced that Democratic Collectivism was a mirage; an impossibility, at least in the long run. A politically free Collectivism would at best be a disequilibrium phenomenon, that could not endure. The public consequently had only two ultimate choices: dictatorship or some kind of liberalism. Hayek's case for these contentions may have been indefinite, but the upshot of Hayek was clear; political freedom was not just assimilated to economic freedom, it owned it.

VIII The Reconstruction: Freedom and Wealth

Not only did neoliberalism seek to make peace between the older value freedom and the new value of democracy, it also sought to restore the old valency between freedom and wealth.

which it is desired to produce by them. ... the principle of individual liberty is not involved in the doctrine of Free Trade (*On Liberty* Ch V 'Applications'). Mill is correct by his principle of individual liberty does not *justify* free trade: trade (as he insists) is a 'social act' (to illustrate: the decision of mobile factors to respond advantageously to a change in the terms of trade will affect immobile factor). But for that reason his principle of individual liberty should *condemn* the freeness of trade.

The crucial valency was strengthened by developments in economic theory at the micro level that pressed back against 'market failure theorising' with 'market success' counters. Imperfect competition was criticised as empirically insignificant by 'Chicago', and apparently exploitative practises rationalised as an efficient adaptation. Coase provided a critique of Pigou by pressing the potential for both contract and property rights to prevent the overproduction of bads (1959, 1960). Coase argued 'the victim' of any over production of bads had every financial incentive to bribe the 'offender' to not any socially costly action, at least in bilateral encounters. And if the multiplicity of 'victims' made it costly to contrive the appropriate aggregate bribe, then affording each victim a tort remedy would be just as effective. (So if the cinders are destroying farmer Jones crop then let him own the sky; and give him a tort remedy against those trespassing cinders.)

To the same end, the pretensions of 'market socialism' to outperform the 'market capitalism' in social efficiency was subject to a critique by Hayek (1941 a and b). To Hayek it was a false cognitive rationality ('scientism') and a false instrumental rationality ('constructivism') that implied that the enlightenment that was complementary Welfare was hostile to economic freedom. By Constructivism he meant the belief that anything worth having had been planned (or designed, engineered, invented). By Scientism he meant the doctrine that any knowledge worth having was data (quantifiable observations, measurements, statistics). In the context of economics, *scientism is constructivism's best friend* and saviour. This is because, whoever wishes to construct (i.e. plan) the economy has nothing to go on but data (quantifiable observations). But Scientism reassured constructivism, 'What you have to go on, is the best that can be had'.

Hayek's riposte to Scientism was that a crucial part of knowledge is private; subjective in being non-verifiable and non-observable and in some degree non-communicable. This is not data. It cannot be used by the planner. But it can be absorbed by the market, as the infinitely dispersed concrete knowledge of billions of people – along with the hunches, intuitions and weird insights of entrepreneurs - impact on market prices. The upshot of Hayek's critique of Scientism and Constructivism was by breaking the apparent bond between Reason and Planning, it deflected the reason that would make freedom an impediment to wealth.

Beyond microeconomic concerns, Friedman had on a macro level defanged this implications of Great Depression (and so the warrant for the Keynesian Revolution) by blaming its depth not on the market, but on the Fed and Central Banking (Friedman and Schwartz, 1963 p301). In doing so was putting the blame on what was (of course) an attempt to tame and supersede the market, and indeed to tame 'the bank run'.

Friedman's work on the delinquency of the Fed in the Depression provides the cue to introduce a key summarising departure of neoliberalism from classical liberalism: 'government failure'.

IX Government Failure, not Market Success

It would be wrong to think that Friedman's case against central banking amounted to the contention that central banking taking took something good (the market), and made it bad. That was not his position. To Friedman active monetary policy *could often do good*; as the competitive system wasn't always maximising, and there was such a thing as 'market failure' (e.g. bank runs). The problem was that the Central Bank did not correct such failure; it misdirected

interventions that could have been directed improvingly. Thus his criticism was not pinned on a *perfection of the market*; but a *defect in government*. For this reason Friedman's 1960s critique of active monetary policy contrasts with Hayek's 1930s critique of active monetary policy. To Hayek 1930s, active monetary policy amounted to a price distortion; it reduced the market price of investment below the opportunity cost of investment, and as an (in effect) subsidy it could only do harm. Thus in the 1930s Hayek criticises activist monetary policy on *market success* grounds; whereas 1960s Friedman criticises activist monetary policy on *government failure* grounds.

We are led to the thought that the Neoliberals' contribution was to shift the burden of the case for liberalism *from market success to government failure*.

Since the time Smith had declared that market (by an invisible hand) enlisted everyone to make the 'annual revenue of society' as great as they could, historical liberalism had rested on claims that the unregulated market would reliably maximise the economic good: what are called here categorical market success propositions. But by the mid-20th c categorical market success propositions could not provide the requisite soldering between freedom and wealth, as they lacked the required truth content. For all neoliberal celebration of the market, and for all their push back against oversold 1930s critiques of the market, market failure propositions were here to stay. Thus neoliberals accepted the phenomenon of public goods that Samuelson had starkly clarified in the 1950s. Indeed, they used the phenomenon, in spite of Coase and Buchanan's reservations regarding the Samuelsonian concept. And while 'Coase Theorem' in the eyes of its partisans amounts to a scintillating market success proposition, whether Coase's analysis demonstrates that the market will reliably and fully line up private and social cost remains controversial.

Finally, if Hayek's invoking the market's 'information' function served to rebut market socialism¹², the market-information nexus has not proved an enduring success for the market advocate, as information issues have since the 1960s proved a happy hunting ground for market failure hunters.

The market outcome, then, was the not best of all feasible worlds. So why reject, or least look doubtfully upon, shifting that outcome by 'the economics of control'? To plead the incapacity of the state to make a perfecting shift is beside the point; the *dirigiste* hardly needs the state to be capable of a *perfecting* shift to make their case; an improving shift would be sufficient for their case. But pleading incapacity of the state to make an improving shift of an even small degree would be implausible. For all its bungling and ignorance could not government in the face of market failure make things at least marginally better?¹³ As Friedman would be the first to insist, while the Fed could not have prevented a recession in 1929, it could have prevented a depression.

The key innovative contribution of neoliberalism was not that government *could not* intervene improvingly, but that government *would not*. To illustrate: government has the potential to play a useful role establish and defend useful property rights, and it could establish rights such that railways would not destroy crops to the detriment of social income; or that private enterprise would build light houses. But it has chosen not to do so; it has instead, says

¹²Hayek's thoughts on the market and information still constitutes fuel for a critique of scientism's flourishing great nephew: 'evidenced based policy'.

¹³ See Friedman's review of the *Economics of Control* for his own acknowledgement that the mere imperfect information of government does not rule out improving intervention (Friedman 1947).

Coase, chosen to extinguish or truncate such useful property rights¹⁴. This choice of the state to not take the improving action that it could take is the notion of *government failure*, and is a key contention of neoliberalism.

But how to justify such a contention? Obviously neoliberals needed a theory of government behaviour.

Perhaps in keeping with Mill's dictum that first principles are (chronologically) last principles, this fundamental requisite of neoliberalism came rather late in its history. But by 1980 two models had been clarified.

1. The exploitation model (eg Brennan and Buchanan 1980). Government stands in relation to the public as a farmer does to his herd; the government milks the public as best it can. Government doesn't maximise the public interest because it didn't want the public interest.
2. The inability to commit model (eg Kydland and Prescott 1977). Government and the public are unable to contract. The significance of this is that deceiving the public can secure resources for the government in a way that will actually be improving of the public. But as the public won't be deceived, the incentive to deceive must be eliminated, and that can only be achieved by the public's circumstances being so reduced – so 'desperate' - that transferring resources to the government is no longer improving.

Both these models carry insight. Both are also question begging and partial. Rather than pursue these defects it would more germane to the task of this paper to stress that these two theories of government failure have an affinity with the conceptions freedom that were developed by Hayek and Buchanan.

¹⁴ Allowing, for at least a period, railways to be exempt from tort action.

The most common way of conceiving freedom is, surely, as the absence of constraint. But this concept is not very useful to classical liberals, as this conception is vulnerable to critique from the Right, and misappropriation by the Left. If 'constraint' is taken legalistically then the most perfect freedom is anarchy, and we are left with Burke's conservative mockery of liberalism: '*Am I to congratulate a highwayman and murderer, who has broke prison, upon the recovery of his natural rights?*' But if we are not to take constraint legalistically but to extend its reference to include all sorts of checks and limits on our capability then we open a straight road to state action serving freedom (or 'positive freedom') through it expanding the boundaries of our capability.¹⁵

The innovation of neoliberals was to reject any simple inconsistency between 'constraint' and 'freedom'. Some constraint is consistent with freedom, while certain constraint was inconsistent. The task was to identify and delimit that constraint that was inconsistent with freedom. On this Hayek and Buchanan offered answers.

What offended Hayek was *manipulative* constraint, or coercion (Hayek 1960). What Hayek wants is the absence of is manipulative constraint. An individual

¹⁵ Historically, the road was opened by J.S. Mill. His dictum that constraint was inadmissible as long its absence did not harm others, soon and quite logically transmuted into the precept that constraint was admissible as long as it benefitted others. All utilitarian welfare economics was based on that, up to and including the *Economics of Control*. Lerner prefaces one of his papers on socialist planning with a statement that is almost a literal quote of Mill's dictum: 'I think it desirable that individuals should have the maximum of freedom in the conduct of their lives, and believe that this implies that any individual should be allowed to have what he prefers whenever it makes no difference to what other individuals can have'. (Lerner 1935).

is free insofar as the constraint is not imposed with the intention of securing a particular result from that particular individual.¹⁶

What offends Buchanan is *unchosen* constraint. To Buchanan freedom amounts to the presence of chosen constraints. And to 'choose' a constraint strongly intimates unanimity, which in turn implies the 'constitutional phase' in the Public Choice conception. So freedom amounts to constitutionality.

Clearly the presence of manipulative constraint and absence of chosen constraint co-ordinates with the government failure associated with the inability to contract and the resulting manipulation of the public by government.

And clearly the presence of manipulative constraint and absence of chosen constraint resonates with the government failure associated exploitation model.

Thus government failure isn't simply not achieving outcomes in the public interest that government could achieve; government failure also constitutes offences against freedom, properly conceived. And so freedom and wealth are soldered without categorical market success propositions.

This last – this discarding of categorical market success propositions – also permitted a new vision of the liberal (freedom heeding) state. In neoliberalism the state is not inert or absent– which is the suggestion of classical liberalism and 'market success' propositions - but *rule bound*; encumbered by a constitution and lacking in discretion. It is not a 'leviathan unbound', endowed with a perpetual hunting licence to shoot 'problems'. But it is not a night

¹⁶ This conception has some harmony with Friedman's evident feeling that freedom consists of competition.

watchman state, either. This emphasis on the rule bound state, rather than a night watchman state, made it possible for neoliberalism to make peace with the extended functions of the 20th c state.

X Capitalism Resurgent

These doctrinal reformulations renewed the potency of (classical) liberalism as a centrifugal force. They depreciated the value compromise that the sustained ruling order – a welfare state, run by an ever managing, deciding and planning state - as needless, counterproductive, wrongful compromise. Wealth did not need to forgo freedom, properly interpreted. To accommodate reason, properly interpreted, did not require forgoing freedom. And honouring democracy, properly interpreted, did not require forgoing freedom.

But the analysis in the above sections of the resurgence of liberalism is incomplete. Put simply, it is overly intellectual. How did all this cerebration manage to escape from the seminar room?

Here I want to shift from ideal to the material, and allow for a material centrifugal force working upon the interest bargain of the New Deal (governing industrial relations, financial regulation, and the social welfare system), a force occasioned by phenomenon totally unheralded when Hayek began to plan Mt Pelerin: the recovery of capitalism in the post War world.

If the revival of liberalism was a wonder, it was no more or less astonishing than the revival of capitalism from 1940s. This revival occasioned the revival of classical liberalism through three channels.

1. Recovery 'confidence', and belief in the market system

the Great Depression of the 1930s never came to an end. For a whole generation it became the normal aspect of peacetime life in the US – the thing to be both feared and expected Nearly every major business enterprise in the US has been operated in the last 5 years in the expectation that sooner or later there would be a major slump.

J.K Galbraith, 1952

It didn't work out that way. This was a shock even to those well-disposed to the market system.

For me, in the late 1930s, a professorship at a teachers college, with a salary of \$3600, and a small house in a town – this was something to be marvelled at, not attained. ... The world that was Eisenhower's 1950s was indeed miraculous to us, and we rushed to work always with a shoulders glance lest all come tumbling down again. Can ...[other] generations point to a decade of such realisation so far beyond all rationally grounded hope?

James M Buchanan, 1994

The pessimism that Galbraith airs, and the incredulity at success that Buchanan expressed, passed at some point in the 1950s. If 1930s stagnation Keynesianism necessary, the 1950s made it impossible. The age of 'liberal pessimist' - of Schumpeter (d 1950) and Simons (d 1946) - was passing too; indeed George Stigler once went so far as to suggest that Simons' suicide in 1946 was rooted his consciousness that the age he belonged was ending (1982, p. 170).

2. The recovery in capitalism's animal spirits foundation. From the late 1940s, and starting with the Volker fund, a cloud of well-funded free market think tanks, began to support neoliberal intellectual life. Over the past decade critics of neoliberalism have with some assiduity documented this financial support. But they blush at the prospect of making explicit their implicit thesis, so I will rely on the ironical representation of the thesis by a neoliberal. The thesis is, of course, that "at the close of world war two the capitalist system was in legal straits. The capitalists – here represented by Lunhow and the Volker fund – knowing that their position was threatened funded a countermovement of ideas in the service of power." (Kitch 1983). In respect to that contention it is not necessary to register that Friedman was extensively funded by the NBER, and by the federal government; and on one occasion when his research did have private patrons he clashed caustically with them (Friedman and Stigler 2005). But we don't have to subscribe to a vulgar Marxist vision of how ideas form to grant that there is a necessary material foundation to intellectual life. The fact that *Das Kapital* was ever written owes itself to the sustained patronage of its author by a cotton mill master. Some of the vitality neoliberal thought can be ascribed to the assistance in material necessities by business interests.

3. There is something about *preaching what you practise*. The revival of capitalism was big. One can be part of something big and dynamic in all sorts of ways. Not only by doing it, but by apprehending it,

¹⁷ Here one may invoke the statement of John Rae regarding Adam Smith's relations with the business class in Glasgow during his period as professor. 'Smith was not only the teacher in Glasgow he was also the learner' (Rae 1965, 87).

Neoliberals were part of pulling against the interest bargain of the New Deal; trying to unfasten market process of the compromises they had endured; to purify the American polity of collectivist. Obviously, 'capitalism' was nothing new to US; but they were americanising America. Buchanan was explicit in his quest to return American consciousness to its late 18th c ideals.

Political economy undeniably has a nationality, and it is no coincidence neoliberalism was entirely wrought in the US; it is impossible to imagine it occurring anywhere else. The American location is significant because in 1942 the American Century was, of course, declared; and what it was doing now assume a world significance, in a similar way that whatever was happening in Germany became significant after 1870. The context of this world significance was – the Cold War - was also fortunate for neoliberalism; for although Hayek's object lesson in the *Road to Serfdom* was Nazism, its thesis of a unity between the political and the economic certainly lent itself to the west's ideological struggle in Cold War. Finally, I would suggest there was an additional utility for liberalism in the fact that there was never a war in the Cold War (or only briefly); liberalism can't deal with war, it 'another country' indeed, and its outlook must be mothballed for any duration.

XI Endings

The intellectual structure of neoliberalism was completed by the early 1960s. But its influence remained negligible: in 1960 Democratic Collectivism ruled

¹⁷ George Gilder and the IT revolution is an example of what I am referring to.

more securely than in 1945, after the post-war reflux against dirigiste enthusiasm of pre-War and War years (eg the Ordoliberal; the Thorneycroft tendency in the Conservative Party) had broken and ebbed.

At this time the end of ideology was announced in the US and welcomed by Daniel Bell.

In the Western World ... there is today a rough consensus among intellectuals on ... the acceptance of the Welfare State ; a system of mixed economy and of political pluralism. In that sense ... the ideological age has ended ... the older beliefs [of 'classic' liberals] have lost their force'

Daniel Bell, 1960, 403

In the UK Michael Oakshott (1962) in 'Rationalism in politics' (by which he meant 'ideas in policy') came down in policy terms to the same welcome

Of course, the end of ideology was rapidly coming to an end. This was not to the benefit neoliberalism. Bell's end of ideology sermon was a pained riposte to the hatchling New Left which was already pecking its way out of the egg; Daniel Bell was attempting firm reminder of Tom Hayden that the party was over. But the decade, as we know, didn't listen; and the US and the Western world suddenly was suddenly engulfed in (and fixated by) the counter culture. The decade was theirs.

I want to spend a little time on 'the 60s' because it reminds us there is more than one way you can pull apart an order, and that those centrifugal social philosophies are in competition with one another.

This is not to say that the Neoliberalism and the New Left had no common ground. The counter culture could be seen as a country cousin of neoliberalism: both had a common forebear in affluence of postwar world; both shared some genetic material in their allegiance to 'freedom' (in all its ambiguity); the two actually met at points: conscription, drugs, and political theory (eg Nozickian anarchy).

But incompatibilities were greater. The *anti-rationalism* of the counter culture clashed with the rationalism of neoliberalism; the counter culture's emphasis on the immaterial collided with neoliberalism's regard of material wealth; and, most importantly of all, the two were separated by one of ambiguities of freedom: are we talking about freedom from rulers (the root nerve of all liberalism) or freedom *from rules*? Neoliberalism and the New Left, then, were on opposite sides of the age old divide between the puritan and the antinomian. In the face of the mass bohemianism of the 1960s George Stigler was (we are told) the last person in Chicago to wear a fedora; and Buchanan's benign (even complacent vision) of the US political freedom perished in the chaos of the 1960s, and the bombing of the office of his head of department at UCLA (See Buchanan 1970 and Tillman 2001).

It might be thought that Neoliberalism had the last laugh; in the 1970s and 1980s several sections of the order of mid-century caved in - subverted in part by the liberations of the 60s of class, race, gender and nationality -, and it was to neoliberalism to occupy the listing vessel, and try to make a go things.

Yet the two had the same destiny to be assimilated in diluted measure into the way we live now; and each appropriately honoured; with Nobel laureates being dispensed from 1974 to neoliberals, and knighthoods to the greying *enfant terribles* of 60s; with a pat , complacent, even panglossioan species of

academic economics displacing the intensity of neoliberalism; and the sleek, sophisticated self-satisfaction of post modernism taking the place of the howls of the counter culture. The apogee of this tendency of asphyxiating assimilation was Clintonite America; where ideology had come to an end yet again (though this time it was 'history'); and neoliberalism was transmuted into 'Washington Consensus'.

Neoliberalism - with its occupation gone - was 'dead', dead long before Global Financial Crisis.

Bell, Daniel 1962, *The End of Ideology : on the Exhaustion of Political Ideas in the Fifties* New York : Free Press

Brennan, Geoffrey and James M. Buchanan 1980, *The Power to Tax : Analytical Foundations of a Fiscal constitution*, Cambridge : Cambridge University Press

Buchanan, James M 1954, 'Social Choice, Democracy, and Free Markets', *Journal of Political Economy*, Vol. 62, No. 2 , pp. 114-123

Buchanan, James M. 2007, *Economics from the Outside In*, College Station: Texas A&M University Press

Buchanan, James M. and Nicos E Devletoglou 1970, *Academia in Anarchy : an Economic Diagnosis* New York : Basic Books

Buchanan, James M. and Gordon Tullock 1962, *The Calculus of Consent : Logical Foundations of Constitutional Democracy* , Ann Arbor : University of Michigan Press

Coase, R. H. 1947, 'The Origin of the Monopoly of Broadcasting in Great Britain', *Economica*, New Series, Vol. 14, No. 55 pp. 189-210

Coase, R. H. 1954, 'The Development of the British Television Service', *Land Economics*, Vol. 30, No. 3 pp. 207-222

Coase, R. H. 1959 'The Federal Communications Commission', *Journal of Law and Economics*, Vol. 2, pp. 1-40

Coase, R. H. 1960, 'The Problem of Social Cost', *Journal of Law and Economics*, Vol. 3, pp. 1-44

R. H. Coase 1974, 'The Market for Goods and the Market for Ideas', *The American Economic Review*, Vol. 64, No. 2, Papers and Proceedings of the Eighty-sixth Annual Meeting of the American Economic Association , pp. 384-391

Coase, R.H. 1996, 'Law and Economics and A.W. Brian Simpson', *Journal of Legal Studies*, Vol. 25, No. 1, 103-119

Coleman, William Oliver 2002, *Economics and its Enemies : Two Centuries of Anti-Economics* , Basingstoke : Palgrave Macmillan

Durbin, E. F. M. 1935 'The Social Significance of the Theory of Value', *The Economic Journal*, Vol. 45, No. 180, pp. 700-710

Durbin, Elizabeth F, 1985. *New Jerusalems : the Labour Party and the Economics of Democratic Socialism*, London : Routledge & Kegan Paul

Fand, David I. 1999, 'Friedman's Price Theory: Economics 300 at the University of Chicago 1947-1951' in *The legacy of Milton Friedman as teacher*, edited by J. Daniel Hammond, Cheltenham : Edward Elgar

Friedman, Milton 1943 in Carl Shoup ed. *Taxing to Prevent Inflation: Techniques for Estimating Revenue Requirements*, New York : Columbia University Press

Friedman , Milton 1947 'Lerner on the Economics of Control', *Journal of Political Economy*, Vol. 55, No. 5 , pp. 405-416

Friedman, Milton 1962 *Capitalism and Freedom* , Chicago : University of Chicago Press

Friedman, Milton 1970, *The Counter-revolution in Monetary Theory*, London : the Institute of Economic Affairs

Friedman, Milton and Anna Jacobson Schwartz 1963, *A Monetary History of the United States, 1867-1960*, Princeton : Princeton University Press

Friedman, Milton and George Stigler 2005, *Making Chicago price theory : Friedman-Stigler Correspondence 1945-1958*, edited by J. Daniel Hammond and Claire H. Hammond. London : Routledge

Galbraith, John Kenneth 1952, *American Capitalism: the Concept of Countervailing Power*, London : Hamish Hamilton

Gregg, Samuel 2010, *Wilhelm Röpke's Political Economy*, Cheltenham : Edward Elgar

Harris, José 1997, Ch 11 *William Beveridge: A Biography*, Oxford: Oxford University Press.

- Hartwell, R. M. (Ronald Max) 1995, *A History of the Mont Pelerin Society* Indianapolis Liberty Fund
- Hayek, F. A. 1941 a 'The Counter-Revolution of Science', *Economica*, New Series, Vol. 8, No. 29 , pp. 9-36
- Hayek, F. A. 1941 b 'The Counter-Revolution of Science', *Economica*, New Series, Vol. 8, No. 30, pp. 119-150
- Hayek , F.A. 1944, *The Road to Serfdom*, London : Routledge & Kegan Paul
- Hettinger, Albert J. (1963) 'Director's Comment' in *A Monetary History of the United States, 1867-1960*, Friedman, Milton and Anna Jacobson Schwartz Princeton : Princeton University Press
- Hotelling, Harold 1938, 'The General Welfare in Relation to Problems of Taxation and of Railway and Utility Rates' *Econometrica*, Vol. 6, No. 3 , pp. 242-269
- Hotelling, Harold 1939 'The Relation of Prices to Marginal Costs in an Optimum System', *Econometrica*, Vol. 7, No. 2, pp. 151-155
- Howard, Michael C. and John E. King 2004, 'The Rise of Neoliberalism in Advanced Capitalist Economies: A Materialist Explanation' in *The Rise of the Market : Critical Essays on the Political Economy of Neo-liberalism* edited by Philip Arestis, Malcolm Sawye Cheltenham : Edward Elgar
- Hume, David (1777)1987, 'The Rise and Progress of the Arts and Sciences' *Essays Moral, Political, and Literary* edited by Eugene F. Miller ; Indianapolis : Liberty Classics
- Jay, Douglas 1937, *The Socialist Case*, London : Faber and Faber
- Kant, Immanuel (1784) 1990 *Foundations of the Metaphysics of Morals and, What is enlightenment?*, New York : Macmillan
- Kitch, Edmund W. 1983, 'The Fire of Truth: A Remembrance of Law and Economics at Chicago, 1932-1970', *Journal of Law and Economics*, Vol. 26, No. 1 , pp. 163-234
- Koestler, Arthur 1941, *Scum of the Earth*, Jonathan Cape

Kydland, Finn E. and Edward C. Prescott 1977, 'Rules Rather than Discretion: The Inconsistency of Optimal Plans' *Journal of Political Economy*, Vol. 85, No. 3, pp. 473-492

Lange, Oskar 1937, 'On the Economic Theory of Socialism: Part Two', *The Review of Economic Studies*, Vol. 4, No. 2, pp. 123-142

Lerner, Abba P. 1944, *The Economics of Control: Principles of Welfare Economics*, New York: Macmillan

Lippmann, Walter 1943, *The Good Society*, New York : Grosset & Dunlap

Ludwig von Mises 1949, *Human Action : a Treatise on Economics* , London : W. Hodge

Mises, Ludwig von, 1962 *The Free and Prosperous Commonwealth; an Exposition of the Ideas of Classical Liberalism*, edited by Arthur Goddard Princeton, N. J : D. Van Nostrand

Oakeshott, Michael 1962, *Rationalism in Politics: and Other Essays*, London : Methuen

Polanyi, Michael 1946, *Science, Faith and Society*, Chicago : University of Chicago Press

Popper, K.R. 1945, *The Open Society and its Enemies*, London : Routledge

Rae, John (1895) 1965, *Life of Adam Smith*, New York: Augustus M. Kelley

Roll, Eric 1945 'The Road to Serfdom by Friedrich A. Hayek', *The American Economic Review*, Vol. 35, No. 1 , pp. 176-180

Röpke, Wilhelm, (1942) 1950, *The Social Crisis of our Time*, London : W. Hodge

Röpke, Wilhelm 1960, *A Humane Economy : the Social Framework of the Free Market* , South Bend, Ind. : Gateway Editions

Schumpeter, Joseph A. 1943, *Capitalism, Socialism, and Democracy* , London : G. Allen & Unwin

Simons, Henry Calvert, 1948, *Economic :Policy for a Free Society* Chicago : University of Chicago Press

Stigler, George J. 1982, *The Economist as Preacher*, Oxford : Basil Blackwell

Tilman, Rick 2001, *Ideology and Utopia in the Social Philosophy of the Libertarian Economists* Westport, Conn. ; London : Greenwood Press

