WINNING CONSENT:
THE PROTRACTED CAMPAIGN
FOR AN ANTI-CORPORATIST “COMMON SENSE”

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ABSTRACT

The metaphor used to read the world significantly influences how it is interpreted. Similarly, the assumptions which underpin a study influence the form the arguments take. This thesis embodies the assumption that in complex systems such as that of contemporary society, which do not merely reproduce themselves but entail continual change, this change is best understood in terms of how it has been actively contested. The metaphor is struggle.

The project has social movements theory as its theoretical interest, in particular themes derived from the thought of Antonio Gramsci and Alain Touraine. Specifically, the study pursues its understanding of social transformation using a framework formulated by social movements theorists Ron Eyerman and Andrew Jamison to search out and identify longer-term processes related to the subjectivities of intellectual and social action as the key to understanding how the dominant way in which a society sees itself can change and in turn can change the society.

The thesis argues for a new understanding of the dramatic changes which took place in industrialised western countries during the 1980s associated with a decline of the corporatist perspectives of what is known as the Keynesian “consensus” and an erosion of the power of meta-narratives. Adapting to a new purpose an investigative approach in the social movements tradition, it identifies and traces a movement campaigning against large-scale state intervention and for a more market-based social order and pushes its origins back to the 1930s. It takes issue with and puts forward a reformulation of what the dominant accounts have called the “New Right,” generally seen as a response to the “crisis” of the late 1960s and
1970s and interpreted through the metaphor of base/superstructure, where historical developments are rooted in economy.

Selecting the period from 1931 to 1981, this study traces the development over 50 years of a movement whose growth began with the arrival in Britain of Friedrich Hayek in 1931 and which since that time has fought a concerted international campaign for limited government and more market-based approaches, creating and developing the research and policy institute, or think-tank, as an important organisational form along the way and consistently foreshadowing political/policy change in the thrust of its movement activities.

Methods associated with field work are used, such as observation of the activities and practices of the intellectuals in their various fora; focused, semi-structured interviewing, used as a method within the methodology of both survey and case study; as well as what is referred to as unobtrusive measures, such as the examination of documents and other archival material. An account of material not in the bibliography is included in a set of appendices.

The originality of this thesis lies in two things: Firstly, in showing that the more robust market policies of many Western governments in the 1980s were the result not just of currents of ideas but of 50 years of struggle by a social movement with intellectuals and organisation; secondly, in using a social movements approach to study a grouping generally conflated with the Right. The study examines in detail the process in which the movement intellectuals were engaged and makes links between their protracted, organised intellectual campaign and the changes which have undermined the postwar Keynesian welfare state. Direct contact was
made with the intellectuals in their organisational settings, notably the think-tank, and relevant documents stretching back close to the turn of the century were consulted.

The study also identifies Hayek not only as a central figure in the revival and reformulation of classical liberalism and resolute organiser of the movement campaigning against centralised, large-scale state intervention, but also as an important player in contemporary epistemological themes. His critique of positivism in particular has been a contribution to an intellectual strand eroding the dominance of positivist notions in the post-World War II social sciences. Overall, his work has contributed to keeping the movement vital while raising his own profile in the last quarter of the 20th century in what is being called the knowledge or information society.
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My other informants from within the movement I studied and who were thus crucial to this project, I thank in detail in the postscript.
We know that earlier transitions (feudalism to capitalism, household production to modern industry) all turned out, on inspection, to be more protracted and incomplete than the theory suggested.

PART ONE

Mapping the Historical, Spatial, Theoretical and Methodological Terrain
... the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil.

— John Maynard Keynes

The character of the process by which the views of the intellectuals influence the politics of tomorrow is therefore of much more than academic interest. Whether we merely wish to foresee or attempt to influence the course of events, it is a factor of much greater importance than is generally understood. What to the contemporary observer appears as the battle of conflicting interests has indeed often been decided long before in a clash of ideas confined to narrow circles.

— Friedrich A. Hayek


The intellectual battle between Keynes (1883-1946) and Hayek (1899-1992), two figures in 20th century economics well known for their respective roles in proposing and opposing the welfare state, is a major theme of this work.
This table indicates the domination of British politics by the Conservative Party in recent years. The election victories of 1979, 1983 and 1987 represent the most substantial, most sustained support any party platform has received in the postwar era.

TABLE 2: U.S. VOTING TRENDS: Percentage of presidential vote obtained

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<thead>
<tr>
<th>Year</th>
<th>Democrats</th>
<th>Republicans</th>
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<td>1932</td>
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<td>1980</td>
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<tr>
<td>1984</td>
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</table>

This table shows strong support at one end for Roosevelt's interventionist New Deal, and at the other for Reagan, a rhetorical advocate of the market.

CHAPTER 1

1. Introduction

Accounts of the rise of a "New Right" began to proliferate in the 1980s, with critics and scholars of differing persuasions often sharing the conclusion that what they conceived of as a new movement had materialised about a decade earlier. It was generally held that this movement had gained quick political success with the election of Margaret Thatcher in 1979 and Ronald Reagan in 1980, two leaders distinguished by a commitment to arguments associated with the movement position on limited government and a more market-based social order, at least rhetorically.

For the most part, these accounts draw on the base-superstructure tradition, which comes out of the historical materialist variant often associated with orthodox Marxism. In this rendering, which generally says relatively little about culture, historical development is rooted in the economy and the emergence of classes with conflicting interests. Following this tradition, a diverse set of elements is grouped together and collectively labelled the New Right, a term around which the theorists construct a critique of forces challenging the Keynesian welfare state and eroding the "consensus" – the body of economic and social ideas that dominated political thought and practice in most industrialised democracies for about three decades after World

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3 The term "New Right" has been introduced in quotation marks to indicate a recognition that it is a problematic construction, as will be discussed later; where it is used, it is used as a shorthand or to represent the formulation of the body of literature that uses it.

4 See Tables I-IV.

5 While the term "market" is sometimes spoken with uncritical praise, other times as a reproach, it generally is used to convey the notion that some buyers and sellers have been able to meet, bargain, agree and set a price where, in the language of economics, their supply and demand curves meet. Rupert Pennant-Rea and Bill Emmott in The Pocket Economist (Oxford and London: Martin Robertson and The Economist, 1983) 113 point out that "market forces" does not mean that open, still less perfect, competition prevails, or that all market participants are well informed.
War II. Most of these theorists, whose work in this regard is discussed later in the chapter, view with alarm what they identify as the New Right, which they see as arising out of an economic, accumulation and/or legitimation crisis in the late 1960s and early 1970s. For them, the rejuvenation of ideas associated with liberalism and the dwindling of support for large-scale state intervention and rationalist planning are largely attributable to conditions of breakdown and crisis in these decades – thus following rather than coming before or contributing to the crisis they describe.

In departing from this type of account, this study identifies and traces the development of an important movement which was not only a source of coherence for the other elements which were to later come under the banner, but which as the generative force for what was to follow contributed to creating the crises which are said to have given rise to what has been characterised as the New Right. The economic circumstances and technological environment of the 1970s indeed offered new opportunities for the movement campaigning against large-scale state intervention and for limited government and a more market-based social order. This thesis will argue, however, that the roots of the movement do not lie in the global economic and technological restructuring that began in the 1970s. The genesis of the movement lies deeper.

In proposing an alternative view, this study adopts an approach informed by social movements theory and uses a theoretical framework formulated mainly from the work of three key figures...

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6 This study concentrates on a movement whose actors have in common their advocacy of a society based on market principles and the pursuit in principle of reduced government involvement in economic relations between citizens. This is what is denoted by the term “the movement” in the text from here forward, a notion not necessarily always synonymous with what scholars signify when they use the term “New Right,” as will be more fully explained later in this chapter.
in the field – Antonio Gramsci, Alain Touraine and Alberto Melucci – insofar as it posits a protracted period of intellectual contestation during which the dominant view or “common sense” is disputed and transformed in advance of political and policy change. The approach draws on insights of the tradition which, deriving much from Gramsci’s theory of hegemony, sees a new common sense or hegemony as having to be developed from a critical position by intellectuals; having to be worked for; and then being partially achieved and incomplete. As discussed in Chapter 2, it is an approach which conceives a Gramscian theoretical framework whereby a significant role is given to intellectuals, using the term in a non-elitist way to mean those who function, in Gramsci’s language, as permanent persuaders. In addition, this study takes the position that the act of calling into question a dominant interpretation, an undertaking frequently performed by social movements, can bring to light social situations previously without significant expression, creating counter-arguments which to some degree contribute to constructing what is then seen as the changed social reality. Thus, a campaign can change people’s perceptions of the social world, thereby contributing to bringing about a crisis by unsettling and eroding the legitimacy of a reigning consensus.

This examination, then, is underpinned by the following assumptions:

■ Social transformations are generally protracted processes, and often incomplete;

■ Social transformations are the result of a combination of factors, rather than being determined by any one, such as the economic or, for that matter, the cultural;

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Intellectual campaigns within social movements play an important role in social change, but people are not cultural dupes who quickly and unthinkingly embrace any set of ideas that is proclaimed, no matter how powerful or well financed the source. In other words, the notion that the mass of people – with the exception of the scholars making the claim, of course – could be victims of false ideology is rejected, while at the same time the significant influence of texts and narratives on the social world is recognised, as is the constituted but not determined character of the subject;

Complex social systems such as that of contemporary society do not confine themselves to the reproduction of social structures or an order but are characterised also by social action and resistance, change and indeterminacy.

In the context of a belief that a new hegemony or common sense has to be worked for over a prolonged period by intellectuals with a critical sense of the reigning common sense or prevailing dominant view, this study takes issue with those arguing that it is through the historical context of the 1960s and 1970s that the rise of a movement campaigning for market-based approaches and against large-scale state intervention should be read.

In contrast, this study traces its analysis back to an earlier decade of crisis, the 1930s, finding there the antecedents of the social movement. By proposing the 1930s, 1940s and the years of postwar economic reconstruction as the context of the genesis, this study brings into focus the importance of the movement’s sustained intellectual campaign in the later decline of the Keynesian consensus, characterised by such programmes as the deregulation of foreign exchange markets and the privatisation of state assets. It is a role practically ignored in those
accounts which stress economic or technological aspects as having determined this change and
given rise to the New Right, a movement portrayed as an almost spontaneous and
“successful” response to the needs of sections of capital.

The welfare state was indeed cenged in the 1970s by a proliferation of organisations rallying
against what they argued was an ever greater government encroachment on the private sphere
and civil society, but this cenge had as its leading edge a philosophy of limited government
and market principles already rendered coherent by years of activity on the part of neo-liberal
and libertarian intellectual activists. A critique of the welfare state came from groups on the
left as well, who saw bureaucratic domination and the exercise of power by functionaries of
the welfare, educational, health and housing agencies as stifling. The opposition of certain
intellectuals and activists to the Keynesian, the collectivist and the corporatist views of the
relationship between the individual and the state can be seen as having opened up to question
and problematised that around which there had seemingly been a “consensus” or dominant
interpretation of the nature of this relationship. In other words, their intellectual activity
precedes the “crisis” which dominates the earlier accounts, rather than following it, as usually
portrayed.

Critiques of the welfare state did not come only from this quarter. For example, Alan O’Connor in
Raymond Williams: Writing, Culture, Politics (Oxford and New York: Basil Blackwell, 1989) cites a 1958 analysis of the welfare state in which Brian Abel-Smith concludes that it benefits mainly the middle classes, contained in Norman MacKenzie, ed., Conviction (London: MacGibbon and Kee, 1958). Abel-Smith was one of a number of such critics, many of whom developed their positions from his work.
2. Why The Period 1931 to 1981?

The years from 1931 to 1981 are selected as the period of investigation for a number of reasons. It was during this time that the relative rise and decline of Keynesian thinking took place and the social sciences were at their most confident in the ability to predict and know society, often in the belief it could be controlled. It was also a period which began with the arrival from Vienna of a key movement figure, Friedrich Hayek, at an important site, the London School of Economics (LSE), from which the battle against the Keynesian position would begin. Finally, the 50 years which conclude with the election of Thatcher and Reagan cover the development of the social movement of which Hayek became the symbolic and organisational leader, growing out of a small cadre and reshaping itself to different contexts along the way.

Choosing the 1930s over the 1970s as a starting point does not imply that the earlier decade is considered the absolute beginning of the movement. There can be no such point for the analysis of any social movement, transformation or phenomenon, as is argued, among others, by Stuart Hall in his discussion of the origins of the new "discipline" of cultural studies, the body of thought associated with him, others such as Raymond Williams and the centre for cultural studies at Birmingham University. For Hall, there are no "absolute beginnings" and "few unbroken continuities" in intellectual endeavours.

However, it was in the 1930s – a decade of upheaval and transition which brought striking economic and political turning points, polarisation, the Depression and World War II – that anti-state-interventionists grouped to fight it out with rival intellectuals and activists

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championing various forms of collectivism and seeking to establish firmly what was to become
known as the Keynesian welfare state. Each of these groupings comprised far more than an
intellectual leader and a band of followers; nevertheless the contrary formations did, to a great
degree, organise around the work of two key figures – Hayek and John Maynard Keynes,
discussed in detail in Part Two.10 Keynes, whose name became synonymous with large-scale
government intervention and planned economies, had argued for an end to laissez faire
economic thinking since at least 1924.11 Just as the economic and legitimation crisis of the
1970s was later to offer the anti-state-interventionists new opportunities for persuasion, the
Depression and World War II, both economically and politically, made Keynesian analysis
compelling to many important groupings. Certain policy aspects offered not only political
advantages but perhaps the promise of survival in those troubled times.

Against the position argued by Hayek and his Austrian School12 associates, it was the
Keynesian intellectual position that was to win out in the postwar period, and from which
grew a “consensus,” however fragile and unstable, around the need for an interventionist

10 In Robert Skidelsky’s view Hayek was, of all Keynes’s critics, “the most intransigent defender of
the non-interventionist order.” Skidelsky, John Maynard Keynes: The Economist as Saviour
11 According to Skidelsky, “Keynes’s 1924 Sidney Ball lecture, ‘The End of Laissez-Faire,’ delivered
at Oxford on November 6, 1924 and published in 1926, provides the framework within which
Keynes’s arguments developed over the next five years.” Skidelsky 225.
12 Vienna in the early 20th century was the fount of a number of then modern schools of study, such
as psychoanalysis, represented by Freud, Austrian School economics, represented by Ludwig von
Mises and Hayek, and a variation of philosophy, represented by Ludwig Wittgenstein, among
others. During the time Hayek was in Vienna it was one of the three most prestigious places to
study economics. A new work characterises fin de siècle Vienna as follows: Vienna, the birthplace
of psychoanalysis (Sigmund Freud), of atonal music (Arnold Schoenberg) and modern functional
architecture (Adolf Loos); but also Zionism (Theodor Herzl) and National Socialism (Adolf
Hitler). “In short, the research laboratory for world destruction (Karl Kraus, Viennese satirist).”
Keynesian welfare state. This Keynesian “consensus” was of course incomplete, since an absolute consensus across a society is improbable, and it, like the current but fiercely contested “consensus” around the preferability of anti-statist, market-based approaches, did not appear out of nowhere in the 1940s. Rather, it evolved from at least the beginning of the century in a piecemeal fashion, gaining reinforcement from arguments such as those disseminated by the Fabians for some 50 years and ironically, too, from Britain’s imperialist aspirations, as discussed later. The favour the Keynesian argument found in Britain in the 1940s, a period discussed in detail in Part Two, facilitated the subsequent formal establishment of the postwar Keynesian welfare state in the United Kingdom in 1948. It was followed elsewhere in the world in either the social democratic or liberal form, and remained largely intact until the 1970s. Although it came under increasing strain in certain respects from the 1950s and a general erosion was under way by the late 1970s, it has, however, in a number of respects continued in a more or less diminished form into the 1980s and 1990s.

During the tenure of the “consensus” there was general agreement that large-scale government intervention was necessary, much of this inspired by Keynes’s The General

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13 The term consensus has elicited a number of responses, more recently by thinkers categorised and identified with the post-structural paradigm such as Jean-François Lyotard, who characterises a consensus such as that called for by Jürgen Habermas as the end of thinking. In Postmodernism: A Reader (New York and Oxford: Columbia University Press, 1993) 25-26, Thomas Docherty, in his introduction to the debate, discusses this position thus: “In short, this means that it is only in the refusal of consensus and in the search for ‘dissensus’ that we will be able to extend thinking, to allow it to be shocked into the new, the (chronological) post-modern. Consensus is a means of arresting the flow of events, a mode whereby eventuality can be reduced to punctuality; it is a way of reducing the philosophy of Becoming to a philosophy of Being.”

14 This was so not only at the level of ideas, but had its effect on policy as well. In the Liberal governments of the period 1906 to 1916, legislation such as the National Insurance Act of 1911 was enacted which heralded what was later to become known as the welfare state. Stanley Baldwin’s Conservative government implemented new unemployment benefits under the 1927 Unemployment Insurance Act, and the scheme was changed again by the 1934 Unemployment Act.
Theory of Unemployment, Interest and Money (1936), which argued that where demand fell short of supply, it should be the government’s responsibility to make up the shortfall and, accordingly, employ resources such as labour which otherwise might remain underutilised. Liberal, Labour and Conservative governments in Britain all went along with this thinking until Margaret Thatcher’s government broke with it in the 1980s.

Scholars writing on the New Right, Patricia Marchak being one example, refer to the postwar ethos of agreement as a consensus. Arthur Marwick, noting that all generalisations are open to criticism in detail, writes of a spirit of consensus that prevailed from 1945 until Thatcher came to power. Norman Barry dates the consensus period, which he argues was one of remarkable intellectual stability, from the late 1940s to the mid-1970s. He sees this era of consensus, defining it as a body of social and economic ideas that “ruled” political thought and practice, as prevailing in the western democracies, with the exception of West Germany.

The work of the Fabian Society, established in the 1880s with the intention of reconstructing society on a non-competitive basis, also contributed to this orthodoxy. Peter Jenkins prefers to refer to it not so much as a consensus but as a postwar settlement which had grown out of the brief wartime suspension of party politics:

Like the 1688 Act of Settlement which finally resolved the constitutional issues of the Civil War, the Attlee government’s social legislation, much of it inspired by the forethought of the Coalition, was designed to call at least a truce in the class war which had disfigured the politics of the 1920s and 1930s. Full employment and the maintenance of the Welfare State became

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the accepted goals of both parties, if for no other reason than to depart from them would be to court electoral defeat.\textsuperscript{19}

In the United States Keynes's ideas also had an impact, with Harvard University acting as the centre for this development. This Keynesian thinking was evident in the further extension and development of what was termed the "New Deal," which had been inaugurated in 1933 following Franklin D. Roosevelt's election as president.

3. Why this Site?

The geographical focus of this project is the milieu of the British intellectuals in the movement that started with Hayek, since it is there that the international revival and reformulation of classical liberal thought in the 20th century has its early organisational origins. Indeed, the attitude is fairly common that Britain should be seen as the home of liberalism, based on the national origin of many of the thinkers that are constitutive of this corpus, of whom John Stuart Mill is an often-used example. Through the 1940s, 1950s and 1960s, as large-scale state intervention became the practice of Conservative and Labour governments alike, liberal intellectuals waged a battle against the Keynesian consensus through their organisations and key locations. Britain's welfare state was among the most fully consummated in democratic industrial states, and it was in that country that the wartime interventionist measures were most comprehensively extended after 1945 as the economy was reconstructed. Britain at that time was also a nation of considerable international influence often looked to for intellectual guidance and is still, despite its fall from the role of a major power, a major centre in international financial markets and a country that gets attention when the fierce battles over

economic and social issues take place – of which the privatisation campaign of the 1980s is the leading recent example. Peter Saunders and Colin Harris, in a discussion of British privatisation, cite David Heald and D. Thomas as remarking that there is no other example in the 20th century of a British policy initiative achieving such a degree of influence in the international arena.  

As is more fully set out in Part Three, it was in this environment that one of the most effective and durable institutions of opposition to large-scale state intervention was to develop. The London-based and Hayek-inspired Institute of Economic Affairs (IEA), set up in 1955, was in good part responsible for the fact that Britain was the country in which ideas associated with 20th century liberal thought took firmest hold.

For the movement campaigning for limited government and a more market-based society, the IEA is an important organising and articulating site in the sense that, inspired by Hayek, it brought together in material form his views on how consent for a different social order should be won. At the same time it offers an illustration of the practices and activities of intellectuals within an organisation which has been successful in terms of its policy achievements, as evidenced by the influence that a political leader such as Thatcher claims it exerted on her (although there were neo-liberals, market liberals or libertarians who failed to see the liberalism for which they had argued at work in her administration), and which has also been emulated internationally. The IEA’s approach can also be seen as an example of how a more specialised knowledge, in this case, economic thinking and approaches to social problems and

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policy formulations, can be disseminated and converted through others (in Gramscian language, permanent persuaders) into a less abstract knowledge, or common sense, which then facilitates a shift through political and policy changes.

The IEA spawned many organisations, both nationally and internationally, attempting to emulate the success of its Hayekian formula of indirect persuasion aimed at influencing those in a position to influence others on a larger scale and, through them, politics and policies. It also inspired variants during the 1970s such as the Centre for Policy Studies and the Adam Smith Institute, which took a more direct approach. The IEA helped to create the climate which paved the way for the dismantling of the Keynesian welfare state and the privatisation programme of the 1980s, which by 1992 had resulted in the disposal of £41.5 billion of state assets, most of which was sold through stock market flotation,\(^{21}\) bringing with it a weakening of not only trade union power but also the privileges of professionals such as lawyers and professors. Indeed, it is Britain since Thatcher that is seen as a testing ground for the radical implementation of market-based ideas, just as Britain under Clement Attlee from 1945 was seen by other nations as the experimental project for the implementation of radical Fabian/Keynesian corporatist ideas.

It was in Britain in the 1930s that a debate began whose impact on the world is still felt. Its principal protagonists, Hayek and Keynes, were both at British academic institutions; Keynes at Cambridge and Hayek at the more publicly integrated LSE. Both believed strongly that knowledge creation, ideas and their proponents play a significant role in political outcomes, as

the two quotations at the beginning of this chapter illustrate.\textsuperscript{22} The two vigorously and publicly contested one another's ideas in the 1930s and engaged in a committed personal correspondence from the late 1920s until Keynes's death in 1946. They were rivals as keen as the two institutions within which they worked, and this battle of ideas in the context of the 1930s forms the core of Part Two.

Foreshadowing a theme that now pervades much contemporary thinking, Hayek and others advanced a sceptical view of the social blueprint and the expert constructing it, a view based on an assumption of the uncertainties of knowledge and importance of dispersed and local knowledges. Different variants of this position, critical of absolute knowledge and truth, are now associated with arguments usually designated post-structural and/or post-colonial. Hayek and fellow members of the Austrian School banded together in portraying the market and entrepreneur as playing a positive, progressive and creative role of discovery in society.\textsuperscript{23} Hayek waged a battle of ideas from the LSE which, being situated in a capital which is the national centre of almost all activity, had a very public location in British intellectual life and also the advantage of attracting a high percentage of international scholars. This was of great import for a project such as the Hayek-inspired crusade for limited government and a market-based social order.

\textsuperscript{22} As intellectuals, some would argue, both Keynes and Hayek had an interest in putting forward this position in which the role of ideas and intellectuals is seen as being as powerful as they contend it is. While the researcher should be aware of the possible significance of location to argument, this thesis, by considering the role of intellectuals in the manner it does, focuses the question outside of a narrow realm which tends towards the view that action is linked functionally to self-interest.

\textsuperscript{23} The Austrian School is characterised by a view of markets as a discovery procedure in a world where tastes and techniques are changing, and information scarce and expensive. See Brittan 214.
The intellectual culture of a particular geographical community is a significant consideration; theorists using the work of Pierre Bourdieu have revealed, for example, that France, North America and Britain are substantially different in regard to their academic institutions and environments. A number of the active movement intellectuals interviewed for this project also remarked on the need for a sensitivity to different intellectual cultures (these were usually intellectuals engaged in adapting research and policy institutes of the Hayek-inspired model to local milieus in locations outside of the London base; an important focus in this study). Ron Eyerman and Andrew Jamison, whose theoretical framework is used for this study and whose work on social movements informs it, recognise this too.

On the empirical level, the success or failure of a particular movement usually depends on its ability to mobilize resources and to exploit the “opportunity structures” of the surrounding particular culture to achieve its strategic aims.24

Arguably, this difference may also influence which element and aspects of the wider movement, for example the more neo-liberal, libertarian, or neo-conservative, gains prominence in a particular location at a specific time, as discussed later, as well as the particular ways in which these groupings and elements are constituted.

The impact which Keynes’s ideas had on public policy in Britain and indeed in the world needs no great elaboration, but Hayek, 16 years his junior, survived him by nearly five decades and went much further as an active mobiliser. The interdisciplinary scholar (not therefore only) of limited government and the more market-based approach who had, he said, been convinced of the merits of his outlook by his experiences of wartime planning, especially in his native

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Austria during World War I, believed it was important to bring scattered liberal and libertarian scholars together in solidarity and from this base to contest the "common sense" of large-scale state intervention. A major mobilising influence at the time was Hayek's *The Road to Serfdom*, published in Britain in 1944 and directed at a British audience, according to Hayek, a book in which he warned of the dangers he saw in central social planning. From his British location at the LSE he set about the creation of an organisation which was to be a guiding force for an international movement, and these efforts by Hayek, the symbolic head and chief mobiliser, led to the creation of the Mont Pèlerin Society, which held its first meeting in Switzerland in 1947. By the 1990s membership had grown to close to 500 members from around the world, and the organisation seems equipped to continue into the next century.

The Mont Pèlerin facilitated the construction of a sense of solidarity; a collective identity and subjectivity, albeit one that stressed the individual; an entrepreneurial subjectivity; a forum for the interpretation and reinterpretation of classical liberal economics in contemporary terms; a conduit for the sharing of resources, including intellectuals; and a strategic location for organising the international development and dissemination of anti-statist market ideas.

One of the most important aspects of this latter goal was the facilitating of the growth of an international network of research and policy institutes promoting limited government and market-based approaches, and a number of institutes later established were first conceived at

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25 The Mont Pèlerin Society is an important organisation in the campaign for limited government and a more market-based social order, and it is thus examined in detail in this study. The relevant papers of the organisation are held along with Hayek's at the Hoover Institution at Stanford University, Palo Alto. The Hoover Institution's archival library was visited on two occasions during the research process.

26 Those who attended the first Mont Pèlerin meeting in April 1947 are listed in Appendix II.
an annual Mont Pèlerin meeting. This growth was aided in good measure by the example of the groundbreaking IEA, which Antony Fisher had set up on the advice of Hayek after reading and being inspired by *The Road to Serfdom*. Fisher went on to set up what were referred to as “factories for ideas” based on the IEA model, which he reproduced in North American locations from the 1970s.

Four Fisher/Hayek research and policy institutes are the focus of the substantive portion of this thesis because of their key role in the winning of consent for a set of ideas internationally, and they are examined in detail in Part Three. They are the IEA; the Manhattan Institute, founded by Fisher in New York City in 1977; the Pacific Research Institute, established by Fisher in San Francisco in 1979; and the Atlas Economic Research Institute, set up in 1981 by Fisher, and located in Virginia near Washington, D.C. Atlas was to fulfil a more comprehensive role than the earlier institutes: It was to nurture an international network of think-tanks campaigning for limited government and advocating and promoting market-based approaches. Indeed, it can be seen as the international meta-institute of the Fisher network.

4. The “New Right,” and a Reformulation

(i) The Term Contested

The expression “New Right” appears to be the choice of those who construct and oppose it. According to the *Oxford English Dictionary*, it entered the language in the mid-1960s in the United States when *Time* used it to counter the expression “New Left,” presumably inspired by the work of Daniel Bell on the American right three years earlier in 1963. The term moved

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across the Atlantic and into the academic domain in Britain with the appearance in 1968 of
David Collard's *The New Right: A Critique.* Apparently the first to use the term in his field,
Collard later referred to this work as "a little Fabian tract" in an IEA publication.

"New Right" is an umbrella term which has been used to cover such disparate constituents as
the American religious right; liberals, many actively anti-religious, arguing for limited
government and greater freedoms from state control within a more market-based society; and
libertarian and anarchist groups calling with others, for example, for the decriminalisation of
marijuana.

Generally, at least three larger groupings can be seen as coming together to constitute the
movement – the neo-liberal, deriving its ideals from classical liberalism and reformulating
these into what has been characterised as a modern classical or economic liberalism; the
neo-conservative, which is inconsistent in its dedication to limited government and a more

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29 A recently published dictionary of words that have entered the English language since 1960 lists "New Right" as having entered mainstream usage in about 1980, and defines it thus: "A coalition of conservative groups, originating in the U.S. but growing in the U.K. during the Thatcher era, whose political and social platform is essentially aimed to reverse the advances made in the 1960s as regarded capital punishment, abortion, gay and lesbian rights, censorship and similar issues." Jonathan Green, *Tuttle Dictionary of New Words Since 1960* (Boston; Rutland, Vermont and Tokyo: Charles E. Tuttle Co., 1991) 180.

30 Samuel Brittan in *A Restatement of Economic Liberalism* (London: Macmillan, 1988) 213 notes that neo-conservatism is an American term. He sees it as useful in describing those who flirt with free-market ideas, but are mainly interested in restoring traditional values, Victorian or otherwise, strengthening patriarchal and family feelings, pursuing a strong nationalist or anti-Communist foreign policy and reinforcing respect for authority.
market-based society, usually linking such calls to an appeal for greater authority within it, and the libertarian element, which argues for a minimal state and extensive individual freedom. Indeed, many groupings of conservatives and neo-conservatives are antagonistic towards economic and other forms of liberalism.

In a discussion of the debate in British media during the Thatcher period, Maurice Cowling describes the major contributors associated with the New Right, noting their diversity:

... five overlapping movements, conducted by about fifty people (mainly graduates and mostly men) who have come from no one type of social, sexual or intellectual background and who include among their number a smattering of atheists and agnostics, a few converted, a few practising and a few lapsed Catholics, a handful of Jews, observing or otherwise, some Dissenters and Evangelicals, a fair number of observing and a number of converted Anglicans, and a contingent for whom religion is of little significance.

In opinion there has been a lack of stereotype. Many of those who have supported market economics have been authoritarian about moral and social questions, many who supported Mr Powell economically did not support him about Europe, Ireland, Immigration or the Soviet Union. Cold Warriors and anti-Cold Warriors, Europeans and anti-Europeans, Americans and anti-Americans, and both the friends and the enemies of Israel, have been distributed fairly randomly.

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31 The difference between the neo-liberal and neo-conservative outlooks, discussed in more detail later, is perhaps demonstrated in the difference between an interview with Madsen Pirie of the Adam Smith Institute, written by Edward Pearce in The Guardian of April 19, 1993, and a Feb. 5, 1994 article by Miro Cernetig in The Globe and Mail entitled the Neo-Cons: Young Bucks of the New Right. Despite the fact that The Guardian is generally considered a paper of the left, and is certainly some distance left of The Globe and Mail, it pens a favourable picture of market advocate Pirie, pointing out he should not be dismissed with the careless label “right wing.” It quotes Pirie as pointing out that the Adam Smith Institute “has never expressed a view on immigration, punishment, race or anything to do with authority.” The article, “The Prophet of Private Profit,” describes Pirie as a follower of public choice theory, a concept, it says, which is “profoundly anti-authoritarian.” The description of the neo-conservative grouping in The Globe and Mail is in sharp contrast. “Today’s neo-cons see themselves as foot soldiers fighting a liberal establishment. They believe the sixties, that much ballyhooned decade, with its free love and free money, caused many of today’s woes,” writes Cernetig.

In Cowling’s view the divergent elements converge on the belief that:

... there should in some sense be less government rather than more, even if at times on the way this involves more government rather than less.  

The meaning of the term New Right changes depending on the national or historical context in which it is being used, yet has gained such acceptance that even those rejecting it in reference to themselves feel bound to use it in their counter-narratives because of its prevalence.

Hayek, too, might have expressed distaste for the label New Right. In one of his earlier writings which seems to indicate he has no affinity with the “right,” he says:

The forces of the right are usually neither intelligent enough to value the support of intellectual activities, nor have they the sort of prizes to offer which are likely to influence honest people.

Some calling themselves liberals refuse the designation “New Right” because they consider its authoritarian and anti-liberal connotations derogatory, and because it makes them unwilling consorts of others. A number of liberals interviewed for this project believed the label to be inappropriate in reference to themselves, but claimed they had learned to live with it since their objections had been ignored. They felt, however, that the term obscured rather than enlightened, some giving as another example of this the distinction commonly made between left and right. Radicals reside in many places, as do conservatives, they argue.
To Max Hartwell, the current president of the Mont Pèlerin Society, it seemed obvious he was not part of the New Right. Asked about the term, he replied, apparently unselfconsciously, “The New Right? I don’t know much about it, really.” Hartwell, who calls himself a classical liberal, said he tended to associate the term with authoritarianism, saying, “I do not like authoritarians of any type or nature.”

Arthur Seldon, another important figure in the movement, sees the term as the “derogatory description used by critics who dismiss the new liberalism as reactionary because it rejects the postwar all-Party consensus based on Fabianism, Beveridgism and Keynesianism.” He insists contemporary classical liberalism is not right-wing.

However, there are some associated with the wider movement who do not always draw these distinctions. Walter Block, while senior economist in 1980 at one of the research and policy institutes associated with the movement, wrote a letter addressed “Friend of Liberty” appealing for help in compiling a bibliography on “what has come to be called ‘the modern revival of neo-conservatism’. ” In his letter from the Vancouver-based Fraser Institute, he said: “For my purposes, synonyms for ‘neo conservative’ include ‘the free market,’ ‘libertarianism,’ ‘the classical liberal tradition,’ ‘right-wing economics’ or pieces on the major spokesmen for this tradition, such as Friedrich A. Hayek and Milton Friedman.”

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36 Interview with Max Hartwell in Oxford in April 1993.
37 Seldon xii.
38 The document “Dear Friend of Liberty,” signed by Walter Block, appears to have been a form letter intended for circulation as a general appeal and is dated April 10, 1980. Located at the Hoover Institution, Stanford University, Palo Alto, California. Collection title F.A. Hayek, Box number 20, Folder ID 11 Fraser Institute.
According to some commentators, the misconception of the movement is a fate which also befalls Hayek, the man arguably most responsible for the movement. Along with Keynes, his intellectual opponent on the issue of large-scale state intervention, and many other influential thinkers, Hayek has suffered the fate of being claimed by, or associated with, some with whom he may have little in common. For instance, despite having written an essay, “Why I Am Not a Conservative,”39 Hayek has often been labelled as a conservative or neo-conservative.

Hayek’s work appears to be as misunderstood by friends as by foes, and he is often forced into the very positions he denounces. John Gray, describing the ways in which Hayek is “vulgarly represented,” argues that in the area of economic theory and policy:

... Hayek’s ideas have been consistently conflated with those of the Chicago School, despite the fact that the whole burden of Hayek’s own development of the Austrian tradition is in the claim that contemporary macroeconomics, whether “Keynesian” or “monetarist”, embodies a wholly spurious claim to quantitative exactitude in respect of economic relationships, including especially relative price structures, whose characteristics and properties can only be the object of abstract modelling and not of engineering expertise.40

According to Gray in the same document in the Hayek archive, the misrepresentations abound. Hayek is represented as a proponent of laissez faire approaches despite having argued that liberalism’s defeat was directly related to its dogmatic adherence to such notions. He is seen as an archetypal conservative despite his impassioned arguments to the contrary.


40 From an anonymous, undated three-page photocopy in the Hayek collection at the Hoover Institution at Stanford University, which has been confirmed as the work of Oxford University’s John Gray with Gray himself. In a telephone conversation on Feb. 23, 1994, Gray confirmed he was the author of the document in the Hayek file, of which a facsimile had been sent to him at Yale University the day before.
Samuel Brittan concurs:

... Friedrich Hayek has been cursed by sneerers, who dismiss everything he has to say without giving it a hearing, and even more by admirers, who agree with it before they have studied it ...

Most complex thinkers have elements in their work which may appear contradictory or to smack of conservatism. Indeed, many people have contradictory elements, incorporating both radical or progressive and conservative aspects. As well, complex thinkers who have a long intellectual career usually move through stages and in some cases become more conservative.

Seldon, in a tribute to Hayek following his death in March 1992, noted that: “In his later years Hayek echoed a conservatism that conflicted with his earlier radicalism.”

As theorists talk for example of an early Marx, or Marx the humanist as compared with the scientific or later Marx, Hayek, too, is designated differently depending on the part of his canon being referred to.

Peter G. Klein notes that some observers charge that his later work, particularly after he began to turn away from technical economics to theories of knowledge, shows more influence of Karl Popper (who also taught at the LSE, in his case philosophy) than of Carl Menger or Ludwig von Mises, Hayek’s mentors at the time of his earlier economic writings associated with market liberalism and what is known as the Austrian School.

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42 Seldon, on September 23, 1992, in a tribute to Hayek at the London School of Economics after his death.
Gray argues that an historical explanation needs to be sought for this widespread misunderstanding of Hayek’s work. Hayek was expounding his ideas to an “invincibly ignorant” as well as hostile intellectual world, he says, offering this interpretation:

His fate has been that of the indefatigable critic of the spirit of the age.  

This view of Hayek as contesting “the spirit of the age” is consistent with a role as a key figure in a social movement. The focus of this study is the form taken by the criticism of the dominant Keynesian consensus which Hayek’s work exemplified, the critical sense around which he organised, and the movement that developed out of it.

(ii) Taking Issue with the Dominant Accounts of the “New Right”

Among British scholars examining what has been labelled the “New Right,” Andrew Gamble finds the genesis of the movement in the “new politics of the 1970s” which, he argues, spawned many new forces, one of which was the New Right.  

Gamble’s account of the “new politics” concentrates on breakdown, and he sees the various crises of the 1970s as responsible. For him, the movement’s programme is determined by economics.

The radical right programmes of both Thatcher and Reagan were responses to the breakdown of authority and stability in the world system and in national politics ... They planned to restore the vigour of British and American capitalism through a new accumulation strategy ...

Bob Jessop and his collaborators also distinguish the 1960s and 1970s as decisive, seeing Thatcherism and the post-1975 years as the environment in which the social movement

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44 Gray.
46 Ibid.
develops, as do others, of whom Marchak, whose work is discussed later in this section, is an example in the North American context.

Pointing to the same decade of "origin," Simon Gunn gives reasons similar to Gamble's, focusing on questions of economics:

It was out of the breakdown of social democracy in the 1970s, the failure of its prescriptions to deal with the mounting crisis, that the New Conservatism was forged. Questions of economic management were clearly central to this crisis. The breakdown of social democracy was also fundamentally the breakdown of a social and moral order.

Hall, whose general sympathy for what can be described as Gramscian approaches (which, in part, is also responsible for his being criticised by some for being idealist) is in good part the initial stimulus for the attitude brought to this thesis, observes that the New Right does not "appear out of thin air" and is aware the economic recession of the 1970s succeeds the appearance of the "radical right." Nevertheless, he does not push his investigation into its beginnings back any further. He identifies the movement as a product of the political polarisations of the 1960s, with 1968 marking the key moment for him. Claiming it is incorrect to identify the rise of the radical right too closely with Thatcher's political success, Hall argues it has a much longer trajectory, yet dates its inception to the late 1960s, seeing the first phase of the movement as a backlash against the revolutionary moment of 1968.

It has developed through a number of different phases. First, the 'backlash' against the revolutionary ferment of '1968' and all that. Then, the bold, populist bid by Mr Powell – speaking

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48 Marchak 9-10.
over the heads of the party factions to ‘the people’, helping to construct ‘the people’ in their most patriotic, racist, constitutional disguise. Then — borrowing the clothes of his opponent, in the best Tory tradition — Mr Heath: a politician instinctively of the soft centre, but not averse, in the anxiety-ridden days of the early 1970s to going to the country with a programme to restore ‘Seldon Man’ — a close cousin of Neanderthal Man — at the centre of British politics.51

Scholars viewing the New Right from the other side of the Atlantic take similar positions, generally following the early themes of Alan Crawford (1980) and arguing that the roots of the New Right lie in the global economic and technological restructuring which began in the late 1960s and 1970s, or the crisis of legitimation which they see as occurring in the same period. By and large, theorists evaluating this shift away from the tenets of the Keynesian “consensus,” as discussed earlier, see it as economically and/or technologically determined or resulting from conditions of breakdown and crisis, and having occurred with some speed.52

In the Canadian context, Marchak takes up a position against the New Right, noting she does “not pretend to admire the philosophy.” It is an ideology which, she says, emerges “with the deterioration of the Pax Americana.”53 Countering the explanation which she claims the New Right gives for its success, that of the “successful selling of ideas and politicians,” Marchak, although stressing the power of advertising, marketing techniques, and indeed, of words,

52 E.g. Gunn xiii.
53 Marchak xii.
offers what she refers to as the alternative explanation: "... that a historical crisis created panic and a search for solutions." Marchak argues:

Its roots lie in the restructuring of a global economy that began in the mid-1960s and reached fruition towards the end of the 1980s. My argument is that the political movements and the parties of the new right, promoted by corporate leaders who funded the think-tanks and participated in the crafting of their strategies, provided the ideological framework for the restructuring of the global economy.

Marchak sees the New Right as having produced a populist, sloganeering attack on all the groups in society which she says have been defended by the left. While it has been argued by some on both sides of the ideological spectrum that the left may not always be too committed to democratic participation, and there are groups opposed to the left on the grounds of wanting more of it, Marchak offers the following as a list of those that the left defends and the right attacks:

... the poor, the handicapped, the unemployed, women in the work-force, the public sector, the welfare state, democracy, majority choice, labour, unions, the underdeveloped nations, impoverished regions, indebted countries, and especially the intellectuals themselves.

In general, the works on what they term the New Right show little curiosity about the actual practices and activities within the phenomenon they describe. The long intellectual genealogy of the movement campaigning against large-scale state intervention and for a more market-based social order, the impact of its campaign on the details of changed circumstances and the internal diversity within the New Right go largely unexamined. The category is seldom opened up to question. Where the writers draw attention to the New Right’s various elements

54 Ibid 112-113.
55 Ibid xii.
56 Ibid 115.
and the significant tensions within its alliances, there is generally little purposeful exploration of these contradictions, nor of the internal contestation of ideas that takes place. Marchak recognises some later diversity within the New Right, however, stating that there was a uniformly anti-democratic ideology.

As the movement grew it became evident that there were diverse contributors, and though they shared an anti-democratic ideology their objectives and interests were not otherwise congruent. Even so, they were united in the primary objective: to dismantle the welfare state.57

The New Right is indeed far from monolithic. Like most social movements, the movement campaigning for limited government is a shifting, negotiated and unstable alliance of groupings, often of contradictory orientation, with suppression of differences between and within the groupings. It is articulated through a series of differing nodes, with, as Melucci puts it in another context, a “plurality of perspectives, meanings and relationships which crystallize in any given collective action.”58

This understanding contrasts with that of theorists such as Andrew Belsey, who claims to see little difference between what he poses as the different sides of the New Right, the neo-liberal and the neo-conservative. Reading the New Right through the practice of Thatcherism, Belsey argues that other theorists examining the New Right have underestimated “the authoritarian and conservative aspects of neo-liberalism.”59 He views the categories neo-liberal and neo-conservative as “ideal types,” throwing his critical weight at the neo-conservative ideal

57 Ibid 94.
type and apparently refusing to take at their word those who position themselves as neo-liberals or proponents of market liberalism and articulate views different from many of the neo-conservatives in the wider movement. He argues:

Any claim that the neo-liberals are 'libertarian,' are the friends of liberty, must be regarded with the deepest suspicion.61

Belsey takes a jaundiced view of neo-liberals within the wider movement arguing for more market-based approaches, suggesting that he is able to detect their true intentions.

The New Right is at its most insidious in the neo-liberals, for the neo-conservatives make no secret of their authoritarian aims.62

Some of the positions set out above appear to be based on two assumptions; firstly, that we can easily discern the “true” motives of people, something which has been called into question by a number of intellectual groupings, most notably the psychoanalytic school; and secondly, that people are easily deceived at the level of ideology or, as is more commonly stated in a particular literature, are the victims of false ideology (from which the theorist making the claim is always immune), leading them, for example, to vote against their own interests.

In certain work, Gamble points to the diversity within the New Right while questioning some of the orthodox characterisations of it, but he also is prepared to accept differences within the New Right, within limits. In contrast to Hayek’s organisational statements about the formation

60 Market liberalism as elucidated by, for example, Brittan in A Restatement of Economic Liberalism 212.
61 Belsey 192.
62 Ibid 193.
of the movement, which speak of its constituent groups of libertarians, thus placing them in a somewhat symmetrical relationship with liberals, Gamble claims:

There is a libertarian wing of the New Right but it is not dominant. The few genuine libertarians stand out among the rest.

He cites Samuel Brittan as one.

Some of the neo-conservative groupings often included under the umbrella of the New Right, such as the Salisbury Group, are open in their hostility to liberalism, preferring to seek their affinity with the conservatism of the last century. For example, the Labour Party-affiliated monthly publication Labour Research quotes a key member of the Salisbury Group, philosopher and Salisbury Review editor Roger Scruton, as saying he and the group formed in the mid-1970s care little for the monetarists and economic liberals. Scruton’s position has been seen as a “comprehensive rebuttal of Hayekian liberalism,” one in which he himself describes his argument as putting “public before private, society before individual and privilege before right.” Commentators on his book The Meaning of Conservatism (1930) portray it similarly as a rebuttal of the Hayekian position.

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63 For example, Hayek, when discussing the formation of the movement’s key organisation – the Mont Pèlerin Society – speaks of bringing “together the various libertarian groups” in the opening address of the 10th anniversary meeting in September 10, 1957. Opening address located at the Hoover Institution, Stanford University, Palo Alto, California. Collection title F.A. Hayek; box number 62, folder ID 3.


65 Labour Research 74:2 (1985) 48, referring to an article in The Guardian of March 1, 1983 in which Scruton is quoted.

For Robert Bocock, "New Right" is the more general term used to include the non-economic aspects of the phenomenon, such as the family and sexual morality. Bocock also notes how disparate elements tend to be conflated in descriptions of the New Right, to the extent that the focus is sometimes narrowed to a particular branch of economic theory associated with market-based approaches, monetarism.

Discussing the political economy of Thatcherism, Bocock says:

The term “monetarism” has been used sometimes to denote all these specific types of new ideology and political economy. 

Such is the currency of this misconception that obituaries following Hayek’s death in March 1992 cast him as the father of monetarism (a description better befitting Friedman) despite his long-standing objections to this school of economic thought, discussed earlier in reference to Gray and in greater detail later.

In summary, then, this thesis is uneasy with theorists who see the entire movement in monolithic terms and approaches it instead by opening up and questioning the categorisation that has dominated. It takes a different approach to those explanations of the movement for limited government and market-based approaches which trace its beginnings to the 1960s and

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68 Monetarism is described by Pennant-Rea and Emmott in The Pocket Economist, a dictionary of economic terms published by The Economist, as the school of economic thought that places growth in the money supply at the centre of its thinking. Specifically, monetarists believe in the quantity theory of money, and argue that monetary expansion or contraction has only transitory effects on “real” variables like output and employment because ultimately it feeds through solely into the price level. By no means are those in the movement arguing for a more market-based approach all monetarists; indeed, many are vehemently opposed to the monetarist position. Further, the head of this movement, Hayek, belonged in the Austrian School camp.
69 Bocock 11-12.
70 For example, the obituary in The Times of March 25, 1992.
1970s, usually with accompanying arguments based on theoretical approaches to collective action in terms of which the movement is explained as being primarily a response to one or more of the following:

- The needs of global capital;
- Breakdown and crisis – often constructed as a loss of authority or legitimacy by central institutions;
- Class condition, nurtured by resentments and discontent;
- Crucial earlier events, such as economic and technological changes. Here the response is seen as almost spontaneous.71

It is not the fact of conditions or crucial events in the 1970s that is in dispute; rather, the question of how they are to be interpreted in the development of the movement. Events of the 1970s, such as the circumstances of Britain’s being forced to seek a loan from the International Monetary Fund (IMF), or the oil crisis, did indeed spur a proliferation of organisations campaigning against large-scale state intervention and add weight to the liberal

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71 Theories abound on why people engage in collective action. There are socio-psychological explanations which focus on feelings of relative deprivation or the discontent which flows from alienation brought about by mass society. There are others that emphasise the rational and strategic nature of collective action as being in the actor’s individual interest, such as rational choice and resource mobilisation theories. There are also those which see new social movements as the result of a struggle by a new class of knowledge worker for power and status against an older, established class. The perceived power of these differing theories to explain collective action has varied, with different theories dominating different historical epochs in different geographical locations. This vast literature on “general” theories of social movements cannot be dealt with in all its minutiae in this study, and that which is relevant and situates the project is dealt with in Chapter 2.
argument for increasing numbers of people. Yet such events cannot alone account for the larger social movement.

(iii) The Reformulation

The emergence of any changed social order is the result of a complex process, the product of many forces, and hence gives rise to many explanations. Discussion frequently polarises into determining dualisms – such as the idealist/materialist or structure/agency polarities – as if the one aspect in each case had virtually no affect on the other. Such either/or paradigms offer no theoretical advantage and promote a dichotomy which, given an emerging awareness of the complexity of social relations and the unrelenting pace of change in the contemporary world, counters an understanding of complex processes of change. This study conceives of structure and agency as being mutually dependent rather than oppositional.

Theorists such as Touraine,72 Bourdieu73 and, in the Anglophone world, Anthony Giddens, state their refusal of the structure/agency polarity. Touraine contends that although society is still far from egalitarian, factors such as economic growth and the constant lowering of social barriers render inadequate those concepts which assume a society of reproduction of social structure rather than a society of growth, change and mass consumption.74

In regard to a theoretical approach which refuses the structure/agency dualism, Touraine argues:

74 Touraine 184.
... in contemporary industrial societies, situations do not determine actions, it is, rather, action that brings to light relations of domination and subordination which lack a visible juridical or political expression.\(^{75}\)

Touraine holds that the concept of class as a central category of sociological analysis must be replaced by that of social movement, an argument discussed later in this chapter.

As Peter Beilharz points out, the work of Touraine and others can be seen as raising objections to Marx’s theory in *Capital*\(^{76}\) in a number of ways. Some of the questions which Beilharz says are being raised by the interrogators of *Capital* are: What happened to the class struggle? Where is the history? What has happened to the other classes? And, most importantly for Touraine’s work, where have the actors gone? Piotr Sztompka describes Touraine’s work since he outlined the image of the “self-producing society” as having a critical edge directed against both developmentalism and structuralism, with the main charge that they subordinated the sense of collective action to immutable laws or requirements, consequently eliminating the actor from the sociological perspective, treating the actors as an epiphenomenon of the system.\(^{77}\)

In this study, the burden of the structure/agency dualism is shed in favour of a mode of thought facilitated by a research approach focusing on process, thus assuming continual change, rather than on end result or presumed categories.

\(^{75}\) Ibid.

\(^{76}\) Peter Beilharz, “Karl Marx,” *Social Theory*, ed. Peter Beilharz (St. Leonards, NSW, Australia: Allen & Unwin, 1991) 172.

Change is a constant feature in all societies, as it is for the structures within these societies, and the difference between societies and between distinct historical periods lies more in the rate at which this change takes place at a particular juncture or locus.\textsuperscript{78}

Social structure, as formulated by the discipline of sociology and commonly defined as recurring patterns of social behaviour, is thus also continually subject to disruption, destabilisation, change and reformulation through negotiation by human agency, however slowly, and often in spite of resistance. The abstract formulation of structure, constructed from the more enduring patterned relationships in a particular type of society, can become reified and static in the hands of theorists where, to use the words of Bourdieu, there is a tendency to slip from the model of reality to the reality of the model. Human creativity, contestation, negotiation and resistance are then often ignored, along with such insights as those of Peter Berger and Thomas Luckmann in The Social Construction of Reality (1966), among others, that social structures are themselves created by human beings whose actions can destabilise existing power regimes and transform them again.

In the natural sciences it is commonly understood that what is solid at one level is particles at another, yet frequently within the tradition of a determining economic base in the social sciences the idea is resisted that social structure might be far more fluid, a contested process, the product of myriad elements, each subject to various forces which include human action. Notions of rigid and immutable social structure are sometimes wielded in ways which make those structures more than the recurring patterns which they are – and at a time when patterns

\textsuperscript{78} Indeed, the current debate across disciplines, and from a variety of ideological positions, puts the argument that contemporary social actors may no longer be living in a capitalist era, but rather a post-industrial, post-modern and perhaps, it is argued, even post-capitalist world.
in society are generally even less enduring than previously. Hall also sees dangers to reifying abstract formulations. In a theoretical debate with Jessop et al over explanations of Thatcherism, Hall distances himself from what he refers to as “the fundamentalist marxist revival” precisely because “they believe that the concepts which Marx advanced at the highest level of abstraction (i.e. mode of production, capitalist epoch) can be transferred directly into the analysis of concrete historical conjunctures.”

A questioning of the solidity and meaning of “economic reality” is taking place within the discipline of economics itself. Among the issues being discussed are the recognition of economics as discourse and related insights by which economics and the various interpretations of economic reality are seen as respective systems of metaphor which different schools are putting forward.

The accounts which argue the case for economic and technological determinants for the New Right are, ironically, contradictory, for they appear to undercut their own position. If one were to accept the argument that a social transformation was in progress based merely on the economic needs of accumulation or the material production base and resulting in the move away from the Keynesian state in the 1970s, why would there even be a need for an intellectual movement such as the New Right? Surely to put the argument that the New Right comes after the economic crisis of the 1970s and is concurrent with the restructuring of the 1970s and 1980s, fostered by groups responding to these material changes and with an interest in them, is in part to indicate that the New Right appears on the scene after the real

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79 Hall, The Hard Road to Renewal 153.
need for its arguments has passed? In terms of the position that relations of production come before and determine ideas and consciousness, it would have to follow that social transformation, say from internal contradictions, would come about irrespective of intellectual work. The economic determinists then, by their own arguments, are perhaps not determinist enough.

The major reason for the lack of detailed attention in the New Right literature to the activity of intellectual activists is that the movement has largely been viewed as the manifestation of economic conflicts, and, therefore, secondary to these considerations. In the approaches which tend to describe this collective action as a response to economic and technological changes, changes on the way to a global capitalism, the discontent on the part of groups which may flow from this transformation, and a loss of authority and legitimacy by central institutions in these decades, the emphasis is generally on postulating why, in terms of interests, the collective action occurred. Interests are often assumed by the theorists and then seen as having motivated those who argued for limited government and a more market-based social order and whose ideas contributed to the changed circumstances of the 1980s. Often these assumptions come at the expense of a more detailed examination of either those who have been engaged in prolonged intellectual activity so as to understand their successes, where achieved, or of the protracted process itself by which the ideas were developed and

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81 In the language of the social movements literature, "why" is used here in the more restricted instrumental sense, rather than in the expressive sense increasingly associated with the new social movements field.

82 For example, Marchak, referring to the New Right and change in the period 1975-1985, speaks in terms of "interest groups" and of change in terms of those "at whose expense" it would be achieved. Marchak 9.
disseminated by active intellectuals and consent for them was won, which is also important to understanding social change.

This is not to suggest that interests are instead absent; they are of course present in any social interaction, be it in the university or the research and policy institute or think-tank, as argued in the postscript to this thesis, but a neat and consistent correspondence between a particular class location and a set of interests is not sustainable. What can be referred to in the literature as original class location is no guarantee that the ideological position assumed to be appropriate to it by a theorist will indeed be adopted. While it is not argued that one should dissociate class and interest, it can not be automatically assumed that because a set of actions may benefit a particular faction, the arguments on behalf of such actions must have been sponsored by the grouping which the actions are seen to benefit, nor that the benefits that attend changes are necessarily narrowly bestowed and bound by class. Nor can it always be safely assumed that members of a class, however defined, will be able to agree on how their interests should be formulated and protected.

83 The Oxford English Dictionary gives three meanings for the word think-tank, specifies its origin as American and says it was first used in 1905 to refer to the brain. The second meaning denotes a research institute or organisation providing advice and ideas on national and commercial problems (a sense dating to 1959), or an interdisciplinary group of specialist consultants. The term is used in a third sense in the 1970s to indicate a meeting or conference of experts, scholars or specialists. The Oxford English Dictionary, 2nd ed. Vol. 17 (New York: Oxford University Press, 1989) 949-95.

84 Indeed, some theorists draw into question the orthodox formulations which depict the workers’ movement in one-dimensional terms as a strict class movement. For example, Craig Calhoun in his work The Question of Class Struggle indicates that the workers’ movement may not have been the initially conceptualised class movement. The workers’ movement seems to have been far less unified than the more orthodox formulation of its early conception has it, and such works as E.P. Thompson’s Making of the English Working Class emphasise important other aspects to class action besides mere class location. As Alberto Melucci points out in an interview in Nomads of the Present 197, social action is never a given fact, it is always socially produced.
Indeed, a category such as class is far from obvious. As Ernesto Laclau points out, class is instead already a synthesis of determinations and a particular response to a more primary question of social agency.\(^\text{85}\) For Melucci – noting that he has gradually abandoned the concept of class relationships as his thinking in the area has developed – more appropriate concepts are required in systems like contemporary ones “where classes as real social groups are withering away.”\(^\text{86}\) However, this must be accomplished, argues Melucci:

> ...without ignoring the theoretical problem that the category of class relationships has left behind as its legacy. That problem can be defined as knowing what relations and what conflicts are involved in the production of the crucial resources of a particular system.

> ...The notion of mode of production is too closely associated with economic reductionism. Production cannot be restricted solely to the economic-material sphere; it embraces the entirety of social relationships and cultural orientations.\(^\text{87}\)

Societies through history have been driven by different resources (matter, energy and information) Melucci points out, with many contemporary societies now relying on information for their survival.\(^\text{88}\)

The adoption of the approach used in this study, underpinned as it is by the framework formulated by Eyerman and Jamison, is an attempt to work towards a synthesis of “determinations,” to use the words of Laclau referred to earlier in another context.

A break with the structure/agency dualism is suggested – although not directly stated – in the approach to social movements of Eyerman and Jamison, the two principal theorists whose

\(^{85}\) Laclau, “Politics and the Limits of Modernity” 66.


\(^{87}\) Ibid 103-104.

\(^{88}\) Ibid 110.
work directly informs this study in that it is their *modus operandi* for the examination of social movements which is adopted to examine the movement for limited government and a more market-based social order. It is this perceived break which contributed to the attractiveness of their research attitude, informed by Gramsci, Touraine and Melucci, for use in this study.

This study, then, brings into focus an aspect largely neglected in the New Right accounts of the 1980s by considering the importance to change and transformation of prolonged intellectual activity. It will consider how a number of active intellectuals, in the face of great enthusiasm for the view of their opponents, opposed large-scale state intervention from the 1930s, calling into question and opening up to contestation the dominant interpretation as they went about winning and sustaining intellectual support for limited government and a more market-based social order.

In examining the waning of the Keynesian consensus, this study diverges from social determinist and reductionist notions, whether economic or technological (or indeed cultural), to also bring into focus the importance of considering the largely ignored intellectuals who, convinced of the power of ideas, began a campaign out of which grew a social movement dedicated to the revival of liberalism in a 20th century reincarnation. Attention is directed towards the knowledge and organisational culture they developed, shared practices and ideas through which they have come to define themselves as participants in a movement, and their mobilisation, in part through the establishment of effective organisations.

In so doing, this study, cognisant of critiques of easy universalising, also modestly seeks to prompt further thought on the role of intellectuals in social transformation, specifically to
contribute to that body of the literature that focuses on knowledge, the role of ideas and intellectuals, and on collective identity and subjectivity, underpinned always by the position that social actors are produced in the undertaking of action, as is knowledge, with action always socially produced.

The emphasis on "how" the movement intellectuals did what they did, mentioned above, does not suggest an approach restricted to examining that which is only strategic and instrumental – organisation and mobilisation – nor does it regard the actions of the movement as such. While the emphasis on "how" shares certain aspects of the position held by those in the field grouped together as resource-mobilisation theorists insofar as the conception of social movements as resulting solely from strain or discontent in society is rejected, as it is in this thesis, this is not the approach adopted for this study. Rather, the emphasis is on considering how a movement struggles over time to form a collective identity, always within specific contexts, and create knowledges and locations from which to counter the reigning consensus and develop and disseminate sets of ideas and beliefs, always in interaction with the surrounding culture and in relation to specific institutions.

At the same time, the emphasis on a process of knowledge creation and dissemination does not imply a disregard for that which is referred to as social structure, as discussed above, and the constraints or opportunities offered by a particular social configuration at a given time. Indeed, the context is considered often, and throughout the thesis, precisely for this reason, and the importance of context to a social movement is a core notion in the Eyerman and Jamison framework. Nor is it the intention to displace the dominant explanations which
generally see the needs of global capital as responsible for the New Right, with another that in its stead privileges action and actors without heed to the constraints these actors face, whatever the geographical, political, economic or historical context. In other words, while subjects are constituted, they are not determined. Following Judith Butler, the constituted character of the subject is the very precondition of its agency.89

5. Divisions within this Work

Part One of this dissertation, comprising three chapters, sets out the historical, geographical, theoretical and methodological boundaries of the study.

It introduces the project, situates the study within the existing literature on social movements and sets up the Eyerman-Jamison theoretical framework, explaining how the contributions of Touraine, Gramsci and Melucci, all key figures in the general area, have been drawn from. It deals with the research problem and lays out the methodology, research attitude and strategy, questions and methods that guide the project.

Part Two, following Eyerman and Jamison, deals with context directly, although context is not, of course, dealt with only in this section. It examines the important historical moment of the 1930s and 1940s in Britain, a period that marked the concluding stages in the evolution of the Keynesian welfare state and the beginning of an intellectual battle over its principles out of which a movement grew. This section considers the arguments on state intervention and knowledge of Keynes and Hayek during this period, as well as their intellectual and social

locations, with a view, in the case of Hayek, to shedding light on the way in which he acted in relation to the movement with which he is associated.

Part Three reads the development of the movement in terms of the three-stage format of gestation, formation and consolidation subscribed to by Eyerman and Jamison in the tradition of other social movements theorists. This section presents empirical and factual material in considering the growth of the movement through its key organisations, such as the Mont Pèlerin Society, the IEA and other institutes closely associated with it, and through the relationship of movement actors to them, Hayek in particular.

In theoretical terms, Part Three is guided by Eyerman and Jamison’s notions of subjectivity, activity and context in reading the movement cognitively, as they put it, through the 50-year period. The study extends its inquiry into all three dimensions – cosmological, technological and organisational – identified by Eyerman and Jamison as the areas within which a movement’s specifiable types of knowledge interest are developed.

Part Four concludes the dissertation, reflecting on the impact on social and intellectual life of the movement which can be traced through Hayek, the IEA and the network of Fisher research and policy institutes which grew out of the IEA’s establishment. This section also considers think-tanks as relatively new sites of knowledge dissemination and their effect, realised and potential, on intellectual life and other institutions of knowledge in the latter half of the 20th century, an aspect deserving of further consideration. Finally, some observations are made about some common ground which Hayek shared with other intellectuals who have

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Eyerman and Jamison 56.
stressed uncertainty and the impossibility of prediction and blueprint, calling into question the all-knowing voice of the authoritative expert.
CHAPTER 2

Making Links to Existing Literature on Intellectuals and Social Movements

1. The Revival of Interest in the Intellectual and Social Movements as Social Agents

Paradoxically perhaps, as the death and decentring of the subject moves towards the forefront of debate in social theory, another issue – that of the position and importance to social change of agency and the actor and intellectual – is concentrating the sociological mind. Yet perhaps it is the concern with the one that flows from the other. As argued by theorists such as Butler, the constituted subject and agency are closely linked, and to claim the subject is constituted is not to claim that it is determined. On the contrary, the constituted character of the subject is the very precondition of its agency. Butler puts the position when asking the following questions:

For what is it that enables a purposive and significant reconfiguration of cultural and political relations, if not a relation that can be turned against itself, reworked, resisted? ... Where are the possibilities of reworking that very matrix of power by which we are constituted, of reconstituting the legacy of that constitution, and of working against each other those processes of regulation that can destabilize existing power regimes?

*Debate on the role of the intellectual has been lively at least since the Dreyfus affair in France in the 1890s, when the term came into active use through a stand taken by a group of committed intellectuals on an issue of justice. Robert J. Brym, in *Intellectuals and Politics* (London: George Allen & Unwin, 1980) 11, noted that although some people specialised in the production of ideas prior to this time, it is only in the last three or four hundred years that intellectuals have become a large, well-defined and self-conscious group. He sees this development mainly as the result of the growing division of labour which accompanied the rise of capitalism and which occasioned a rapid increase in the absolute and proportional number of highly educated people in society.*

*Butler, "Contingent Foundations: Feminism and the Question of 'Postmodernism.'" 12-13.*
Some theorists see a retreat of the intellectual (Jacoby 1987, Miliband and Panitch 1990), others a return (Touraine 1988) – but all through their reformulations of the notion (Aronowitz 1990, Foucault 1980, Gramsci 1971, Hayek 1949, Radhakrishnan 1990, Robbins 1993) recognise the intellectual’s importance, and their attention to the matter contributes to the resurgence of interest in this source of change.  

Accompanying the rejuvenation of the social actor is a burgeoning interest in social movements as agents of social transformation over the past two decades. The two areas are closely linked, and Alan Scott, in a review of the field of new social movements theory which considers the work of Touraine and its impact, argues that social movements have become an attractive object of analysis for an approach which wishes to bring back the social actor, a point he says Touraine’s work makes clear.

Scott sees what he refers to as a crisis in “single-order explanations,” a greater awareness of the complexity of social relations and a move away from grand theory as significant factors contributing to this expanding interest in social action and historical analysis, with social

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93 The genre to which books such as Russell Jacoby’s The Last Intellectuals belong has been followed by another, of which The Phantom Public Sphere, ed. Bruce Robbins (Minneapolis: University of Minnesota Press, 1993) is an example. This genre problematises the notion of the public sphere, asking whether it may not have been a phantom given that the so-called public often excluded many more than it included. Increasingly, theorists and activists are now voicing suspicion of those who claim to speak in the name of the “public.”

94 For Gramsci, there is no question of intellectuals becoming themselves historical agents, argues Stanley Aronowitz. Rather, their importance in Gramsci’s conception is in their ability to link themselves with the “real” agents, namely classes, “which for Gramsci and all Marxists are the only forces capable of making history.” Stanley Aronowitz, “On Intellectuals,” Intellectuals: Aesthetics, Politics, Academics (Minneapolis: University of Minnesota Press, 1990) 11. In Gramsci’s theory of hegemony, Aronowitz argues, the purveyors of ideas are not independent agents (p. 14).

movements a manifestation of this interest. He argues that the move away from meta-narratives is taking place as a shift of emphasis along three axes.\textsuperscript{96}

- From structure to actor;
- From static to historical (synchronic to diachronic) explanation;
- From conceptual clarification to theory-informed research.

Each increase in disillusionment with the single-order explanations such as functionalism and neo-Marxism gives rise to greater interest in social movements as a suitable object of research, asserts Scott.

If this increased interest in social movements is indeed aroused in part by the current crisis in the social sciences, it is certainly fanned by concrete historical events. The civil rights movement of the 1950s and 1960s, the student movement of the 1960s and 1970s, and various others such as the environmental movement of the 1970s and 1980s have brought social movements into society to such an extent that sociologists can no longer avoid studying them, argue Eyerman and Jamison.\textsuperscript{97} Indeed, Americans Charles Stewart, Craig Smith and Robert Denton go so far as to argue that the United States is experiencing the age of the social movement.

The second half of the 20th century may well be called "the age of the social movement" in America. Blacks, students, women, the aged, gays, Hispanic peoples, native Americans, prison inmates, and workers of all varieties from the vineyard to the university campus have demanded rights, equality, identity, and a fair share of the American dream. Others have organized to protest the American way of dying, involvement in unjustified wars, pollution and destruction of the environment,

\textsuperscript{96} Scott 4.
\textsuperscript{97} Eyerman & Jamison 1.
nuclear power, forced busing of public school students, violence and sex on television, legalized abortion, marijuana laws, centralized power in corporate, governmental, and educational bureaucracies, and the changes in the American social structure and values.98

Indeed, if a link is to be found between these two coincidental developments – the move away from single-order explanations, and the increasing importance of social movements – it is that much that was considered settled previously is now being called into question and contested, both in terms of epistemology (with the move from meta- to micro-studies and narratives) and representation – political, intellectual or otherwise.

While the significance of social movements appears to have been solidly established (Touraine, Melucci), with many theorists in the field regarding them as having taken up the emancipatory role that Marx, in the previous century, had reserved for the working class alone,99 there is little agreement on what should constitute a social movement. Frequently one theorist’s social movement is another’s cultural movement, more limited in scope and, for some of the more

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99 Alain Touraine, The Post-Industrial Society: Tomorrow’s Social History: Classes, Conflicts and Culture in the Programmed Society (New York: Random House, 1971) 3-26. Touraine argues it is the programmed society in which we live that is responsible for the working class no longer being a privileged historic agent, and not the weakening of the labour movement, its subjection to the strategy of a particular party or bad leaders. It is rather because the exercise of power within a capitalist firm now no longer places the working class at the centre of the economic system and its social conflicts. Touraine uses the term programmed society to refer to the type of society being formed, defined in terms of the nature of production methods and economic organisation. It is labelled also as post-industrial to stress the differences in method and organisation between it and the earlier type of society called industrial. For Touraine, in the programmed society economic decisions and struggles no longer possess either the autonomy or the central importance they had in an earlier society defined by the effort to accumulate directly from productive work. Growth now results from a whole complex of social factors, not just from the accumulation of capital, but depends much more directly than before on knowledge and hence on the capacity of society to call forth creativity. All these terms, says Touraine, define a society according to the way it acts on itself, or, in other words, its praxis or historicity, the central concept of his work on social movements which is discussed in the text.
orthodox, not a movement at all, perhaps merely the rallying of a special interest, pressure or protest group around a single issue. Scott suggests the following as a rough guide to the notion of social movement:

A social movement is a collective actor constituted by individuals who understand themselves to have common interests and for at least some significant part of their social existence, a common identity. Social movements are distinguished from other collective actors, such as political parties and pressure groups, in that they have mass mobilization, or the threat of mobilization, as their prime source of social sanction, and hence of power. They are further distinguished from other collectives, such as voluntary associations or clubs, in being chiefly concerned to defend or change society, or the relative position of the group in society. 100

Theorists sometimes argue, too, about how new a social movement actually is, or vacillate on whether a movement, having been accused of having concerns too particular, should be relegated to the status of a cultural movement. Indeed, Melucci, the theorist associated with the introduction of the term “new social movements” into the sociological literature, views aspects of the debate around them with frustration, saying that he has:

“... watched with dismay as the category has been progressively reified” 101

Some, Touraine among them in certain of his works, have argued that for each historic period there can be only one historic actor, one central social movement, on whose shoulders rests squarely the burden of social transformation. Other theorists reject new social movements as

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100 Scott 6.
reformist – in contrast to what they see as the truly transformative class movements\textsuperscript{102} – or as special interests simply seeking sectional advantage.

Disputes about whether a social movement is “progressive” or “reactionary” are also scattered through the literature, along with a tendency to designate a social movement “progressive” if the writer identifies with it and to refuse the designation to others. This debate need not be engaged in, argue Eyerman and Jamison, as “progressiveness” is not a defining attribute for the notion social movement.

... there is nothing automatically progressive about social movements; as history itself is open and often regresses, social movements can re-act, as well as act, mobilizing interests that represent regressive as well as progressive values. Their ideological orientation need not affect their creativity; all social movements are producers of knowledge.\textsuperscript{103}

The aspect of the formation of new collective identities within society is an important one in the literature on social movements. Doug McAdam, for example, argues that historically, social movements have served as the source for new collective identities within societies, citing as examples the Christian, Muslim and “working class” identities which he points to as having emerged in the context of social movements.\textsuperscript{104} Terry Eagleton is another who points to the importance of this aspect when he argues that:

... no dominant political order is likely to survive very long if it does not intensively colonize the space of subjectivity itself.\textsuperscript{105}

\textsuperscript{102} Scott 7 contains an outline of this argument.
\textsuperscript{103} Eyerman and Jamison 58.
\textsuperscript{105} Terry Eagleton, The Significance of Theory (Oxford: Basil Blackwell Ltd, 1990) 36.
In limiting the use of the term social movement to oppositional groupings working for a transformation of the social order, Touraine distinguishes them from others that can be seen as alternative groupings seeking freedom for practices outside of the mainstream, or groupings that coalesce temporarily around a particular issue.

This distinction, however, can prove problematic. Alternative groupings which set out merely to seek freedom for divergent practices often have the effect of contributing to a transformation of the social order as well. As McAdam observes in another context:

Movement cultures are not static over time. Having opened up the question of the restructuring of social arrangements, there is no guarantee that insurgents will confine their attention to the specific issues or institutions originally targeted. When this happens, movements can take on the character of hothouses of cultural innovation. Anything and everything is open to critical scrutiny. Change becomes the order of the day.\(^{106}\)

Acknowledging the difficulty of mapping a sharp boundary around the notion of social movement, this study – drawing as it does on Touraine, through the framework of Eyerman and Jamison – will nevertheless also exclude from the concept actors who define their projects narrowly, in other words, those actors who could be seen rather as specific or local intellectuals, in Foucauldian terminology. However, this differentiation proves as problematic as the distinction often insisted upon with regard to what constitutes a social movement. This was something that Michel Foucault himself recognised. He was aware that in the definition of the one were the seeds of the other.

In an interview, “Truth and Power,” published in 1977, Foucault, while recognising the dangers of the specific intellectuals “... remaining at the level of conjunctural struggles,

\(^{106}\) McAdam 46.
pressing demands restricted to particular sectors,” states that the point had been reached at which the function of the specific intellectual needed to be reconsidered. Contending that the role of the specific intellectual in local and specific struggles has been productive, he argues:

One may even say that the role of the specific intellectual must become more and more important in proportion to the political responsibilities which he is obliged willy-nilly to accept, as a nuclear scientist, computer expert, pharmacologist, etc. It would be a dangerous error to discount him politically in his specific relation to a local form of power, either on the grounds that this is a specialist matter which doesn’t concern the masses (which is doubly wrong: they are already aware of it, and in any case implicated in it), or that the specific intellectual serves the interests of State or Capital (which is true, but at the same time shows the strategic position he occupies), or, again, on the grounds that he propagates a scientific ideology (which isn’t always true, and is anyway certainly a secondary matter compared with the fundamental point: the effects proper to true discourses).

Reviewing the differing attributes and roles given to intellectuals in social theory, Radhakrishnan — examining the intersections between Foucault’s and Gramsci’s theories — makes this distinction between specific and universal intellectuals:

... there is the Foucauldian “specific intellectual” (in opposition to the universal intellectual), who works “within specific sectors at the precise points where [the specific intellectual’s] own conditions of life or work situate” him or her. The specific intellectual is intended in demystification of the universal intellectual just as the Gramscian organic intellectual exposes the ideological underpinnings of the traditional intellectual. But there the similarity ends, for the agencies of the two intellectuals have very different orientations.

According to Didier Eribon’s reading, the specific intellectual\textsuperscript{109} wagers battles on precise points and in well-defined places.\textsuperscript{110} This would seem to contrast sharply with the notion of the universal intellectual, where the battleground tends to be the wider social field.

Foucault himself, who could be called an active intellectual, intervened in and contributed to a number of specific causes, such as campaigns for the release of prisoners\textsuperscript{111} or, in concert with fellow intellectuals like Jean-Paul Sartre, to save boat people.\textsuperscript{112}

An interview Foucault had with a Portuguese worker at a Renault factory suggests that – in contrast to Gramsci, and indeed to Hayek and Keynes – Foucault did not publicly claim the same crucial role for the intellectual.

\textit{Jose:} What an intellectual who works for the people can do is to reflect the light coming from those who are exploited and make it brighter. He acts as a mirror.

\textit{Foucault:} I wonder if you are not somewhat exaggerating the role of intellectuals. We are in agreement that workers have no need of intellectuals to know what it is they do. They know this perfectly well themselves. An intellectual, for me, is a guy hooked into the system of information rather than into the system of production. He is able to make himself heard. He can write in papers, give his point of view. He is also hooked into a former system of information. He has the knowledge, obtained from reading a certain amount of books, that other people do not have directly available to them. His role, consequently, is not to form the workers’ consciousness, since that already exists, but to allow this consciousness, this workers’ knowledge, to enter the information system and be circulated. This will help other workers, and people who are not workers, to become aware of what is happening. I agree with you when you speak of a mirror, if one takes the mirror to be a means of transmission ...[sic] We can say this: the intellectual’s knowledge is always partial in relation to the worker’s

\textsuperscript{109} As opposed to the Sartre-style total or engaged intellectual.
\textsuperscript{111} Ibid 267.
\textsuperscript{112} Ibid 278-280.
knowledge. What we know about the history of French society is entirely partial in relation to all the vast experience that the working class has.\footnote{Ibid 253.}

Recognising that the notion of an intellectual is contested, this thesis follows the emphasis of Gramsci and Hayek on the potentials of intellectual action and employs the term to denote a broad range of intellectual activity, as discussed in the next section.

While Foucault may not have shared Hayek’s position on the role of the intellectual, he was, in terms of arguments he made, sympathetic, perhaps surprisingly so for some, to aspects of the modern liberal position, as discussed more fully in Chapter 11, the conclusion.

The term social movement is considered appropriate for this study since the intellectuals/activists being examined see themselves as engaged in a social transformation of a societal type, the argument occurring most frequently in the social movements literature and that used by figures who dominate the field, such as Touraine. Indeed, in this respect, such an approach might be better suited to an analysis of the movement considered in this work than to many others dealt with in the social movements literature. Hayek and his fellow actors articulated a vision of, and commitment to, a notion of progress more commonly associated with analyses of the historic actor; a progress afforded by the market as a discovery/epistemological mechanism and representing a project of social transformation of a type not always readily apparent in the other movements with more limited, particular and short-term goals. A social movements approach is considered well suited to this project by virtue of its ability to capture that which has been overlooked in the “New Right” literature,
and this more comprehensive account thus expects to contribute in part to an understanding of the role the actor/agent/intellectual plays in social transformation.

Notwithstanding the disagreement over social movements, it seems likely the attention they are receiving seems set to intensify in the future. Giddens concurs. In the eighth of his nine theses on the future of sociology, he states that:

... social movements will continue to be of prime significance in stimulating the sociological imagination.114

2. Gramsci as Invigorator, and some Similarities to Hayek

Stanley Aronowitz sees the work of Gramsci as an important reason for the current joint revival of interest in intellectuals and social movements:

In 1968, students and other intellectuals presented themselves as new agents not only in Paris, Berlin, and other Western capitals but also in Mexico City, Buenos Aires and Prague. In the struggle to comprehend the nature of their emergence, Antonio Gramsci, until the 1960s a shadowy figure outside his native Italy, quickly surfaced as a crucial guide. His Selections from the Prison Notebooks, published in English in 1971, provided an argument, if not an elaborated theory, that placed intellectuals on the cusp of social transformation in societies where rule by consent replaces rule by force as the primary mode.115

Indeed, Gramsci’s reformulation and extension of the notion of the intellectual came, to a significant extent, out of his interest in the process of the winning of consent for the politics of a social movement of the 1930s — Italian fascism. He reflected on the response of counter-movements, the role of intellectual leadership in organising, negotiating and articulating groups in alliances which create a new common sense, and the need for a

115 Aronowitz 10.
normative framework ahead of economic and political transformation—ideas which place Gramsci very firmly as a theorist interested in social movements, even though his contribution predated the work on social movements that was to define the field as it is now known.\textsuperscript{116}

It is to the corpus of Gramsci that many of the theorists working on contemporary social movements go, either to borrow and build, or to take issue.

Gramsci’s notion of the intellectual is a comprehensive one, extended to all whose social function is to direct ideas, rather than the more limiting notion which restricts the title to those seen as engaged in formal or developed thought. As such, it is a conceptualisation well suited to the analysis of social movements. In Gramsci’s vision the new intellectuals—a group he sees expanding significantly in the 20th century— are active participants, constructors, organisers and permanent persuaders in social life, directing the ideas and aspirations of the class to which they belong organically. These intellectuals, often performing the role of constructing a critical sense of the prevailing dominant view ahead of campaigning for a new hegemony or common sense, and whose function is directive and organisational, in other words, educational and intellectual, provide the theory, ideology and leadership for a base.

In Gramsci’s conception the party has importance as the entity which combines and nurtures what he called the organic intellectuals, as well as being the channel for the ideas with which these intellectuals are involved. For him all members of the party are intellectuals, and the

\textsuperscript{116} Eyerman and Jamison 2, 10. They see the original formulations which inspired the study of social movements as located in the 1930s and 1940s, provoked by the fascist and communist movements that had upset the political order in Germany and Italy. Some of the scholars responsible for this early work were themselves victims of this turmoil, they say.
party may be made up of different levels or types. In addition, the party has the further task of universalising that which is specific:

In the political party the elements of an economic social group get beyond that moment of their historical development and become agents of more general activities of a national and international character.\textsuperscript{117}

This particular aspect of Gramsci’s thinking involving the organic intellectuals within the party corresponds to the thinking of Touraine, who defines social movements as involving actors with a historic project going beyond the particular to seek a social transformation from one societal type to another.

The location best suited to organic intellectuals becomes ever more pertinent with the credibility of political parties of all ideological affiliations increasingly being called into question, a development which suggests a need for an investigation into locations outside of the political party for contemporary “organic intellectuals” and perhaps prompts a further reformulation of the notion itself.

Gramsci is used in this work in the spirit of Hall, not to reproduce his analysis directly or claim that Gramsci has all the answers but, with Hall, to think in a Gramscian way, which he points out is quite different.

We mustn’t use Gramsci (as we have for so long abused Marx) like an Old Testament prophet who, at the correct moment, will offer us the consoling and appropriate quotation. We can’t pluck up this ‘Sardinian’ from his specific and unique political formation, beam him down at the end of the 20th century and ask him to solve our problems for us: especially since the whole thrust of his thinking was to refuse this easy

transfer of generalizations from one conjuncture, nation or epoch to another.\textsuperscript{118}

This study was inspired in part by an interest piqued by similarities that were found between the ways in which the very differently positioned Hayek and Gramsci conceived of the notion of, and activities of, the intellectual as agent of social transformation. Each held to what was at the time an uncommon comprehensive notion of the intellectual, and it was the nature of the function and effect of prolonged intellectual activity in society that had their attention.

Gramsci’s notion is in stark contrast to the traditional idea of the intellectual as comprising only philosophers and people of letters. For Gramsci, thinking is common to all, and intellectuals are not distinguished on these grounds in his work; rather, intellectuals are characterised by the functions they perform, and the term is extended to all those who have the function of organisers in society, be it in the domain of production, politics, or culture. Gramsci saw the defining attributes and abilities of what he called the “organic” or new intellectuals of the social formation he was studying as:

... active participation in practical life, as constructor, organiser, “permanent persuader” and not just a simple orator (but superior at the same time to the abstract mathematical spirit) ...\textsuperscript{119}

For Hayek the intellectual is the intermediary in the spreading of ideas. The notion he posits is extensive and, like Gramsci’s, while not linked to class in the way in which Gramsci’s notion is, it contrasted with the prevailing view of the time.

The term “intellectuals,” however, does not at once convey a true picture of the large class to which we refer, and the fact that we have no better name by which to describe what we have called the secondhand dealers in ideas is not the least of the reasons why their power is not better understood. Even persons

\textsuperscript{118} Hall, “Gramsci and Us,” \textit{The Hard Road to Renewal} 161.

\textsuperscript{119} Gramsci, \textit{Selections from the Prison Notebooks} 10.
who use the word “intellectual” mainly as a term of abuse are still inclined to withhold it from many who undoubtedly perform that characteristic function.¹²⁰

Hayek, too, includes categories usually absent.

Until one begins to list all the professions and activities which belong to this class, it is difficult to realize how numerous it is, how the scope for its activities constantly increases in modern society, and how dependent on it we all have become. The class does not consist only of journalists, teachers, ministers, lecturers, publicists, radio commentators, writers of fiction, cartoonists, and artists – all of whom may be masters of the technique of conveying ideas ... The class also includes many professional men and technicians ...¹²¹

He ascribes to this group significant influence.

It is the intellectuals in this sense who decide what views and opinions are to reach us, which facts are important enough to be told to us, in what form and from what angle they are to be presented. Whether we shall ever learn of the results of the work of the expert and the original thinker depends mainly on their decision.¹²²

The growing group providing intellectual services in the 20th century which had attracted the attention of Gramsci and Hayek drew interest some decades later when theorists working in the field saw its swelling numbers as grounds to advance it as a new class in post-industrial society (Alvin Gouldner 1979). However, this line of argument portraying knowledge workers as constituting a new class is problematic, especially for those theorists who hold that the significant distinction is that between capitalist and worker. Knowledge workers share attributes of both workers and capitalists, for example, with the emphasis shifting from the one to the other depending on the theorist. Intellectuals can be conceived of both as workers employed in production in a knowledge-based society and paid wages for their services, or as

¹²¹ Ibid 7.
¹²² Ibid.
being like capitalists in that they exercise effective control over the components of production
where they operate and receive part of their remuneration as a return on human capital, to
which they add continually by acquiring knowledge in the process of production.

The argument is made that the new class argument failed to captivate mainstream social
theory, in part because that community itself could not be convinced intellectuals could fulfil
the role of a class (perhaps, too, partly because that community would have had to find its
place within the “new” class and acknowledge the privileges which the argument posited.
Some of these critiques coincide with public choice arguments that bureaucrats and
intellectuals privileged by the welfare state generally act as self-interested political
entrepreneurs when they call for expansion of the institutions with which they are associated).
Referring to what he sees as “the increasingly obsolete notion of a ‘new’ class” (cf Bell,
1979), Nico Stehr takes issue with the argument thus:

... it is rather doubtful that emerging societies will have the
kinds of masters past societies had. Experts are far too
fragmented intellectually to perform such a historical role. They
also have the most diverse allegiances.123

3. Touraine’s Influence on Social Movements Theory

Touraine is an important figure in the resurgence of interest in the actor as well as a key
theorist within the social movements field, having written on the replacement of older forms of
class struggle by the new social movements.124 In common with Gramsci, Touraine, with his
theoretical and methodological emphasis on the social actor, acts as a touchstone for those

123 Nico Stehr, “Experts, Counsellors and Advisers,” The Culture and Power of Knowledge: Inquiries
into Contemporary Societies, eds. Nico Stehr and Richard V. Ericson (Berlin and New York:
Walter de Gruyter, 1992.)

124 Stuart Hall, in a discussion of “post-industrial writers” in “Brave New World,” Marxism Today
working in the area, including Eyerman and Jamison, as well as having a wider influence on those working in other areas within sociology. He has worked in his field since the 1960s and remains prolific. Alan Scott, in a work in which he reviews new social movements theory, asserts that for Touraine:

... sociology is the study of social movements.¹²⁵

Touraine, along with other social movements theorists, sees new social movements as symptoms of contemporary, post-industrial, programmed society.¹²⁶ Introducing Touraine’s work in a foreword, Aronowitz describes his contribution in the following way:

... whereas Daniel Bell greets the coming of postindustrial society as one more confirmation for his older thesis that contemporary democratic countries have found the mechanisms to overcome the need for ideology, Touraine understands this event as the coming to power of new social agents, which, like other historical actors, arm themselves with pathbreaking ideologies.¹²⁷

Touraine posits a general theory of social transformation for social movements. These social transformations, for Touraine, are the results of conflict, with the conflict not merely a response to a situation by actors, but rather an initiative by them:

A social movement is a conflictual action through which cultural orientations, a field of historicity, are transformed into forms of social organization defined by general cultural norms and by relations of social domination.¹²⁸

¹²⁵ Scott 5.
¹²⁶ For Touraine, social movements are both bearers and symptoms of the transition from industrial to post-industrial society, while for Habermas they are to be understood in the long historical process of rationalisation within Western societies.
¹²⁷ Aronowitz in the foreword to Touraine, Return of the Actor: Social Theory in Postindustrial Society (Minneapolis: University of Minnesota Press, 1988) xiii.
¹²⁸ Touraine, Return of the Actor 66.
For Touraine — who reserves the term social movement for the struggles around the institutional potentials of cultural patterns of a given societal type — the idea of the social movement is a recognition of the fact that actors do not merely limit themselves to reacting to situations; rather, they actually produce situations. Social life is a complex of initiatives and negotiations, in Touraine’s conception, and social movements arise from normatively oriented interactions between adversaries who have conflicting interpretations and opposed societal models of a shared cultural field. The forms of social organisation which result from conflicts between social actors striving to control and implement the increasing capability of society to act on itself, and which involve all the techniques of production, communication, information and administration, are that which Touraine refers to as the field of historicity.

Touraine believes the different ways in which the term social movement is used make the debates artificial and in a recent work he suggests replacing “this exceedingly vague expression by a precise representation of social dynamics.” In collective action, groupings with particular subjectivities organise around a central conflict and struggle to have their cultural orientation privileged as the social form for the entire collectivity.

Social life has three central elements for Touraine:

... the subject, as distanciation of organized practices and as consciousness; historicity, as the set of cultural modes (cognitive, economic, and ethical) and as the stake of the central social conflict; and social movements, as the groups that

130 Touraine, Return of the Actor 26.
contend in order to give these cultural orientations a social form.\textsuperscript{133}

Touraine’s central concept of historicity is in contrast to the more traditional meaning which indicates the historical nature of social phenomena.\textsuperscript{134} However, he argues:

\begin{quote}
Historicity is not a set of values solidly established at the center of society; rather it represents a set of instruments, of cultural orientations, through which social practices are constituted, and thus one can say it is a set of investments.\textsuperscript{135}
\end{quote}

It is this historicity, or set of cultural orientations, that social movements wish to realise in the process of transformation. Thus it is the social action arising from the increased ability of society to act upon itself that brings a given situation to light, rather than the situation merely leading consequentially to action.

Touraine’s work on movements, such as the Polish union movement Solidarity, demonstrates the centrality of the concept of historicity to the development of his theory of social movements, the implications of which Aronowitz explains in the following terms:

\begin{quote}
... Touraine has developed a theory of social movements in terms of the leading concept of historicity, which may transcend the prevailing cultural model or at least puts it into question. Social movements therefore are not merely groups of actors with specific grievances within institutions; they are marked by the degree to which they act upon the prevailing cultural model. They challenge it by proposing alternatives that almost invariably appear utopian in relation to hegemonic norms and values. That Touraine speaks of the cultural model distinguishes his point of departure from that of Marxism, for which culture is derivative of the mode of production of material life. What Touraine does is to pose the model of life, including its normative features, as the fundamental object of historical contestation. This paradigm challenges theories of blind forces – whether of the classical Marxist or structuralist varieties – without, for a moment, denying the critical significance of
\end{quote}

\textsuperscript{133} Ibid 42.
\textsuperscript{134} Ibid 40.
\textsuperscript{135} Ibid 41.
struggles over accumulation, class relations, and political power as crucial elements of the social system.\textsuperscript{136}

For Eyerman and Jamison, too, it is a crucial consideration that the projects of social movements go beyond the particular to seek a transformation of cultural values, and indeed, that if cultural values are not embraced there can be no social movement. In this connection, Touraine cites the 19th-century labour movement as an example.

The labor movement formed only when it went beyond the rejection of machines and began to defend the idea that mechanization and progress should be put in the service of the workers and of all people.\textsuperscript{137}

Eyerman and Jamison’s notion of a social movement accords with Touraine’s in this respect and also in that their categorisation limits the definition to those groups that are significant in redefining history and “which carry the historical projects which have normally been attributed to social classes.”\textsuperscript{138}

For Touraine, contestation is a central element of social life, and it is through his construction of historicity – which he uses to consider that which is at stake in society, that which calls into question the dominant interpretation, that which groups struggle over – that he conceives of the role social movements play in society, in the process of which subjectivities and consciousness are changed.

Eyerman and Jamison, drawing on Touraine, view social movements as constituted in the interplay between what they refer to as deep structure of knowledge interests – citing the thinking of Jürgen Habermas and operationalising his epistemological categories – and the

\textsuperscript{136} Aronowitz xiv.
\textsuperscript{137} Touraine, Return of the Actor 134.
\textsuperscript{138} Eyerman and Jamison 56, borrowing from Touraine, Return of the Actor.
practical world of political strategy. They see the process by which movements come to recognise themselves as collective actors with a historic project as involving an interaction among three interconnected areas:

- **Opposition**: Points to the way the movement casts the groups, actors or institutions against which it is in conflict, often viewing the different and opposing formation as the Other. The Other can thus be seen as contributing to the constitution of that identity;

- **Identity**: Refers to the way in which actors perceive themselves as part of a particular group with a specific subjectivity;

- **Totality**: The process by which movement actors perceive themselves as being actors on an historic stage.

Elucidating the work of Touraine, they argue that he distinguishes a social movement from a protest organisation by its realisation of historicity. Thus, for them, the social movement as historic actor is involved in a struggle in which the foundations of society are at stake and in dispute. The theme of the Other is an important one for Eyerman and Jamison in the construction of the movement’s collective identity, since it is that at which protest is directed and against which it will act.

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140 Eyerman and Jamison 158.

141 Ibid 27. As discussed in the preceding chapter, the foundations of society can change as a result of the actions of a grouping which does not articulate those actions as an intention at the outset. Thus, defining what counts as a social movement is highly problematic.

142 Ibid 101, 117-118.
In one sense, Touraine's influence on Eyerman and Jamison is from two directions, for he was also the teacher in the 1970s of Melucci, one of the other theorists on whom they draw. Most important in their framework is the work of Melucci, Eyerman and Jamison say, because he sees the challenge of the new social movements in primarily "symbolic" terms.\(^{143}\)

Melucci, while obviously influenced by his former teacher, breaks with Touraine on a number of issues. Melucci's contribution is to focus on the changed way in which collective actors think about themselves, the fluidity of collective action and the move to action at the global level. Melucci stresses the degree of diversity within collective actions and cautions against exaggerating the degree of unity. Eyerman and Jamison measure his contribution thus:

> Melucci is particularly good in stressing the formative processes of collective identity. Most other theorists of social movements deal with this problem as one of organisation, stressing the need for institutionalized roles and order (e.g. Gamson) rather than the processes of interaction in the production and maintenance of collective identity.

> This centrality of the processes of collective will formation or collective identity is what distinguishes a social movement from a pressure group, which is formally organized and relatively certain of its goals and the interests it represents.\(^{144}\)

Melucci argues that Touraine's analysis of contemporary movements is not differentiated enough; a criticism he levels at Habermas as well.

> Touraine's idea of the central movement still clings to the assumption that movements are a personage – unified actors playing out a role on the stage of history.\(^{145}\)

\(^{143}\) Ibid 48.
\(^{144}\) Ibid 172.
For Melucci, a social movement refers to a class of collective phenomena which are manifest in three dimensions:  

- **Solidarity:** A social movement is a collective action involving a solidarity among actors, which implies a mutual recognition that they are part of a single social unit.

- **Conflict:** There must be an engagement in conflict, and therefore opposition to an adversary laying claim to the same goods or values.

- **A break with the limits of compatibility of a system:** The social movement actions violate the boundaries or tolerance of the system, thereby pushing it beyond the range of variations it can tolerate without altering its structure.

For Melucci, empirical forms of collective action comprise a combination of these analytical dimensions, with actors engaged in many different games at the same time. An analysis should reveal the existence of this pluralism, Melucci argues.

On the basis of its suitability for the analysis of a movement which saw its task in these larger terms, this project will use the notion of social movements rendered in the work of Touraine. However, while Touraine’s work on social movements is an influence both for this project and for theorists Eyerman and Jamison, the idea in certain earlier aspects of Touraine’s work that there is one central movement in any given historical period is not found in Eyerman and Jamison, and is not subscribed to here. In other words, no claim is made that the

146 Melucci 29.

147 Stanley Aronowitz sees intellectuals of the Right, now located in those universal spaces once the province of the left and liberals, using the word liberal in the North American sense to indicate those arguing for government intervention rather than in the classical sense associated with limited government, such as that used by Europeans like Hayek. Stanley Aronowitz, “On Intellectuals,” *Intellectuals: Aesthetics, Politics, Academics*, ed. Bruce Robbins (Minneapolis: University of Minnesota Press, 1990) 41.
movement for limited government and a more market-based social order is the central social movement of the second part of the 20th century. Eyerman and Jamison claim that their work was informed more by the ideas of Melucci who, although he had been a student of Touraine’s in the 1970s, took a different position from his former teacher on this issue.\textsuperscript{148}

4. The Project Framework: Mapping the Eyerman and Jamison Approach

To investigate the activities and practices of a grouping that believes in the power of ideas, indeed, in the important role of human agency in social change, this study uses a social movements theoretical framework with which to consider the role of intellectuals as actors in social change, specifically the contribution active intellectuals have made to the shift away from the large-scale interventionist Keynesian paradigm.\textsuperscript{149} As is appropriate to a social movements approach, the study conducts a simultaneous empirical or substantive investigation to interrogate the earlier theories focusing on the 1970s which cast the changes that attended the break with the Keynesian consensus in terms of economic and technological determinants.

The key element in the various conceptions of what distinguishes a social movement from other phenomena in the collective action field – along with a level of planning and organisation, reliance on cultural guidelines and a prolonged nature – is the goal of social transformation claimed by collective actors who create a shared identity, however unsettled,

\textsuperscript{148} See the interview with Melucci in \textit{Nomads of the Present} 199-204.

\textsuperscript{149} Taking the view that the New Right, or even elements of it, should be considered a social movement is not an idiosyncratic position to hold, and is fairly common in the literature of the New Right. For example, Marchak refers to the New Right as a social movement in \textit{The Integrated Circus} 4. The phenomenon is viewed similarly in Elliott and McCrone, “Class, culture and morality: a sociological analysis of neo-conservatism,” \textit{The Sociological Review} 35:3 (1987) 485-515. Indeed, Jessop et al see it as appropriate to refer to Thatcherism alone as being a social movement in \textit{Thatcherism} (1988) 61.
negotiated, and multi-layered, and are organised around a central social conflict. It is this engagement by activists and intellectuals in a project of social transformation that qualifies them, it is argued, as constituting a social movement. Mere numbers of participants alone are not a sufficient criterion, for on this basis a movement could not be seen as such from its beginnings but only from the later point at which it achieved a certain number, and then what number would suffice? As Eyerman and Jamison point out, social movements emerge far from fully formed, take organisational form and are then more or less successful in affecting political and social processes through their challenges.\textsuperscript{150} Also, a movement’s numbers can swell and diminish over time depending on the particular period and issue.

As illustrated, Eyerman and Jamison’s approach has at its core notions and insights borrowed from Melucci, Touraine and Gramsci, and some links to the work of Habermas. They derive from the work of these thinkers their two major and interconnected concepts in the framework upon which this study draws – cognitive praxis and movement intellectual.

Following Touraine’s stress on social action, cognitive praxis refers to the process by which the core identity of a social movement is created in action. In motivating the approach to social movements which they have formulated, Eyerman and Jamison argue that:

\textit{The cognitive praxis of social movements is not just social drama; it is, we might say, the social action from where new knowledge originates. It is from, among other places, the cognitive praxis of social movements that science and ideology – as well as everyday knowledge – develop new perspectives. In order to see that formative influence, however, it is necessary to read social movements in a particular cognitive way.}\textsuperscript{151}

\textsuperscript{150} Eyerman and Jamison 121.
\textsuperscript{151} Eyerman and Jamison 48-49.
The notion of an accompanying consciousness and process of knowledge creation is informed by Melucci’s thinking on the expressive importance of social movements.

Gramsci’s influence in their work is found through the taking up of his comprehensively constructed notion of “organic intellectual,” which is transformed by Eyerman and Jamison into a notion of the “movement intellectual” while retaining, and arguably perhaps even strengthening, its comprehensiveness. Eyerman and Jamison also follow Gramsci in looking at intellectuals in the context of large social forces in which they appear. They see themselves as transforming Gramsci’s insights from the class formation of partisan intellectuals into a more generalised one about intellectual formation, and this study follows their lead.

The Eyerman-Jamison framework attempts to weave the insights of these three theorists into a *modus operandi* for the examination of social movements, mapping a movement’s boundaries by interpreting its cognitive praxis. This conception is in sympathy with Touraine’s explanation that society now has a greater ability to act upon itself and that it is actors, through their actions, conflicts and negotiations, who seek to make use of this potential, thus giving rise to forms of social and cultural organisation.

From Touraine they take the notion of the process of collective will formation, by which they indicate the ways through which movements come to recognise themselves as collective actors with a historic project.

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152 Ibid 166.  
153 Ibid 186.  
154 Eyerman and Jamison 26.
Taking their project further, Eyerman and Jamison draw on the postulate of Habermas that knowledge constitutes interests and develop operational categories of knowledge interests, turning the interests he imputes to humans into specifiable types of knowledge that particular movements could be seen to have expressed and suggesting they could be usefully viewed in three dimensions – cosmological, technological and organisational. This they offer as an alternative to the notion of ideology.

The value of Eyerman and Jamison’s modus operandi, then, is that it reformulates these contributions for contemporary times and brings them together in an approach through which the complex nature of social movements can be examined. In other words, their work offers a medium through which to operate in the field, inspiring, it is argued, a mode of thinking in the researcher which favours the reviewing of process over end result or mere category.

This research attitude complements the assumptions with which the study starts out, which are underpinned and reinforced by the thinking of the key theorists selected. Society is seen as subject to change and social action rather than mere reproduction, and thus an analysis is favoured that is dynamic rather than static, where structure and agency can be viewed as mutually dependent and an important role given to agency in the long term. In using an approach to study movements which emphasises process over product, procedure over outcome, and development over culmination, this thesis hopes also to demonstrate some of the benefits of this kind of research attitude.
Eyerman and Jamison use the term cognitive praxis—"the most basic of our concepts"—in response to what they see in the collective action field as inadequate frameworks resulting in an incomplete understanding of the complex processes involved in the phenomenon of the social movement. Cognitive praxis is part of an analytical approach that seeks to study social movements on their own terms, an approach which, they assert, has neither the drawbacks of a "naive objectivism" nor an "equally misguided subjectivism."

This strategy is based on the notion that social life can be seen as a combination of action and construction. Using an argument which, as argued earlier, while not directly stating it to be the case, suggests a break with the agency/structure dualism, Eyerman and Jamison say action is neither predetermined nor completely self-willed, and all forms of practical activity are informed by some underlying project—a position on the relationship between structure and agency which is akin to that taken in this study. Cognitive praxis demonstrates the core identity of a social movement, which is made up of social action by which individuals create new kinds of knowledge and social identities, a different consciousness, with their cognitive praxis transforming them from groups of individuals into social movements.

It (cognitive praxis) is a kind of deep structure that allows us to draw certain boundaries around a movement as it develops over time, as well as to evaluate the current status and potential of actual movements.

Thus, cognitive praxis is the process of constructing a movement identity, the making of a consciousness with a creation of knowledge which is itself an historical construction. Important to this process are the movement actors, or what Eyerman and Jamison term

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155 Ibid 44.
156 Ibid 2.
157 Ibid 44.
movement intellectuals in reference to those who through their activities cultivate and express
the movement's knowledge interests or, in other words, its world-view – a process which
emphasises the creative role of consciousness and which is sensitive to the context in which
this articulation takes place. Through this process, which also includes organisational and
technological dimensions – discussed later in this chapter – movement intellectuals create their
role within the movement at the same time as they create the movement.

The notion of movement intellectual within the framework has a different status from that of
cognitive praxis, which they see as a kind of deep structure, in that, being oriented more to
actors than to movements as a whole, it operates at a different level. Nevertheless, both are
key to the framework and are connected in that:

... it is movement intellectuals, as historic actors, who make
visible the underlying cognitive praxis.158

Indeed, social movements, Eyerman and Jamison argue, create spaces for new types of
intellectual to emerge.

A social movement combines aspects of collective identity – the creation of an altered
consciousness, world view or ways of seeing – with political action towards the achievement
of ends in more or less successful ways.159 In The Making of the New Environmental
Consciousness, Jamison et al say the organisations within the movement they are studying do
not choose “their strategies solely on the basis of practical considerations but realise them
through the framework of their guiding knowledge interests,”160 or world view.

158 Ibid 44.
159 Jamison, Eyerman and Cramer with Løssøe 4.
160 Ibid 7.
This central concept of the approach of cognitive praxis is a synthetic conceptualisation which they develop to specify both the construction of consciousness and core identity as well as the role that social movements and associated movement intellectuals\textsuperscript{161} play in this process, both aspects being shaped by the political culture and historical conjuncture in which they appear.\textsuperscript{162}

As cognitive praxis is that process which transforms groups of individuals into social movements, it is the placing of social movements in political historical context which amplifies the connection to social change. In this regard, Eyerman and Jamison’s approach isolates three elements that are key to the understanding of social movements.

- **Subjectivity**: The process of expressing a movement identity, that is the cognitive praxis;
- **Activity**: The actors taking part in this process of cognitive praxis, those they call movement intellectuals;
- **Context**: The context in which the articulation takes place.\textsuperscript{163}

Cognitive praxis is identified along three dimensions, according to Eyerman and Jamison:

- **Cosmological**: This refers to the basic beliefs and assumptions, the world view, which the activists in the particular movement take for granted;
- **Organisational**: Pertains to the various forms of knowledge production embarked on, the organisational forms created or adopted for specific types of knowledge production and dissemination. This project identifies the think-tank as an important organisational form

\textsuperscript{161} Eyerman and Jamison 44.
\textsuperscript{162} Ibid 164.
\textsuperscript{163} Ibid 4.
created for the production and dissemination of knowledge by the movement activists engaged in the campaign for a more market-based social order, as discussed in Part Three.

- **Technological:** Refers both to the specific topics which engage the movement and the alternative techniques used by the movement actors.\(^{164}\) Here the emphasis on micro studies as opposed to macro studies on the part of intellectuals in think-tanks can be seen as an example.

Eyerman and Jamison’s definition, in line with Touraine’s, resists seeing social movements as entities comprising one specific organisation or one particular special interest group. Rather, social movements emerge, far from fully formed, take organisational form and are then more or less successful in affecting political and social processes through their challenging of structured definitions and practices.\(^{165}\) Eyerman and Jamison argue that all social movements bring about some kind of identity transformation\(^{166}\) by placing new issues on the historical agenda, proposing new values and generating new types of intellectuals who convert the movement’s cognitive praxis, that is, its created consciousness and knowledge, and disseminate it into the larger society. This framework emphasises process over product and embraces not only what it is that a movement does, but how it does it, as well as what its members think, and why.\(^{167}\)

Eyerman and Jamison’s approach is used for this project in large part for the emphasis it places on both process and the intellectuals associated with a movement; how these movement intellectuals are formed who then, in turn, re-form the cognitive identity of the social

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\(^{164}\) Ibid 165.

\(^{165}\) Ibid 121.

\(^{166}\) Ibid 166.

\(^{167}\) Ibid 46.
movement. That which this project argues has been left out of the earlier accounts of the “New Right” and the break with the Keynesian consensus is thus brought forward by this attention to a prolonged intellectual campaign and emphasis on historical process rather than static conceptualisation.

This research attitude views the social movement in comparative terms, considering its location in both time and space; in other words, seeing the social movement in political, historical and cultural context. The consciousness constructed by movement intellectuals is not created in a void; rather, it is constrained and bounded by the historical situation of the social actors and their particular concerns, as well as by the construction of, and response they receive from, their opponents. Viewed from another perspective, the Eyerman-Jamison framework could be said to have the advantage of combining analyses of the individual, the group and the macrostructural.

Eyerman and Jamison see their work as both a synthesis of European and North American sociology as well as a departure from these influences, and they take issue with representatives of both. They argue that the reason for the exclusion in American sociology of what members of a social movement think, and why they think the way they do, in other words, the attitudes\textsuperscript{168} that go into making up the knowledge and identity of the social movement, is that these aspects are seen as non-empirical matters. As such, they are categorised outside of the empirical universe of competence in which most North American

\textsuperscript{168} North American researchers engaged in survey research may resist a distinction such as this, perhaps claiming that their “empirical method” aims to capture attitudes through the questions they put to respondents.
sociologists\textsuperscript{169} live, argue Eyerman and Jamison, who believe that knowledge, rather than being marginalised to an ephemeral or superstructural level of reality, belongs and should be placed with the centrality of movement identity formation.

The identity of the movement becomes disinterested, stripped of its driving ideas, its cognitive meaning. The particular historical interests that a movement aims to further are not analysed in the process of being formed, as central component of movement praxis.\textsuperscript{170}

The other camp, the more theoretically inclined Europeans who consider identity, draw heavily on long-standing theoretical traditions,\textsuperscript{171} Eyerman and Jamison argue, rather than considering that actual process which they, Eyerman and Jamison, have isolated and termed the cognitive praxis of the movements. In other words, they assert that for these theorists social change is guided by spiritual or material forces rather than occurring through communicative interaction among members of movements about norms and actions, arrived at by negotiation and agreement.

The implication of this camp’s approach, Eyerman and Jamison argue, may be to impose an evaluation on the particular social movement rather than to deepen understanding of it, as this project aims to do in regard to the movement arguing for limited government and a more market-based approach.

\textsuperscript{169} Resource-mobilization theory has dominated the collective action field in North America with its perspective that it is not so much strain in society – of which there is always a sufficient supply – which serves as the motivation for collective action and to which the attention of the researcher must be turned, but rather to the organisational resources required for collective action. See Gary T. Marx and Douglas McAdam, \textit{Collective Behavior and Social Movements: Process and Structure} (Englewood Cliffs, New Jersey: Prentice-Hall, 1994).

\textsuperscript{170} Eyerman and Jamison 46.

\textsuperscript{171} According to Melucci, a basic ingredient of modern thought is philosophies of history based on the belief that the course of history is guided to fulfilment by spiritual or material forces, to which human action is necessarily submitted. Melucci 21.
Eyerman and Jamison argue in regard to European sociology that:

The identities are, however, not derived from studying the cognitive praxis of movements themselves, but rather drawn from theories of social change and philosophies of history. Lurking behind the identity theorists are the classical social theorists of the nineteenth century, and behind them the positivists and idealist philosophies of Comte and Hegel. As such, identity in the sense used by many European sociologists is something superimposed on a social movement and used as a standard of evaluation to judge their potential and historical significance, even their status as a social movement. Thus Alain Touraine, after investigating the French anti-nuclear energy movement, concluded that the movement was not a real social movement: it was not involved in the struggle for what he terms "historicity" (Touraine 1983).\(^{172}\)

For Eyerman and Jamison, most of the North Americans are constrained by their narrower empirical world in which that which is examined must be easily reducible to empirical data, while the Europeans are hindered by theoretical and ideological agendas which prohibit them from apprehending social movements in terms of the actual process, the cognitive praxis by which they create their collective identities, most often through a process of negotiation.

Eyerman and Jamison, who view themselves as actor-oriented social theorists, see their work as providing a framework of translation between resource mobilisation theory and identity theory, the two main contemporary approaches to collective action and social movements.

A further contrast is that Eyerman and Jamison make a link with the sociology of knowledge in that their approach also sees social relations and cultural traditions affecting the development of knowledge. It is these aspects that make their framework appropriate for this project, in light of the research strategy outlined in the next chapter.

\(^{172}\) Eyerman & Jamison 46-47.
There is in Eyerman and Jamison also a recognition of the importance of the intellectual. Their conceptualisation of the movement intellectual, derived as it is from Gramsci’s thinking on the organic intellectual, is similarly broad. Their comparative framework for social movements is well suited to the comprehensive conception Hayek had of the notion intellectual, given that his formulation is underpinned by the contention that the “all-pervasive influence of the intellectuals” grows and is strengthened by the ever-increasing importance of organisation.\textsuperscript{173}

Hayek, in the words of Eyerman and Jamison, is a leading example in the social movement of a “real individual” who is able to “make it happen.”\textsuperscript{174} As scholar, organiser and mobiliser, he is at the centre of the movement associated with the resurrection and reformulation of liberal thought, and has in common with it a belief that the process of social transformation is propelled by ideas, the influence of intellectuals and in particular, the manner in which these ideas and intellectuals are organised to advance an intellectual position. Thus Hayek saw his task as an intellectual one, that of freeing “the world from the plague of socialism.”\textsuperscript{175} Indeed, Ralph H. Turner sees the utopia associated with social movements as becoming:

\begin{quote}
... the basis for a general social movement that fosters profound social change, leading ultimately to a different social order and a new ideology to support it.\textsuperscript{176}
\end{quote}

Hayek argued that a traditional flaw of liberalism had been that it did not proclaim a Utopian vision in the way that socialism had done so successfully, among the young in particular.

\begin{flushright}
\textsuperscript{173} Hayek, “The Intellectuals and Socialism” 8.
\textsuperscript{174} Eyerman and Jamison 56.
\textsuperscript{175} Written by Hayek on an index card in a collection he was in the habit of carrying around to keep handy his latest thoughts.
\end{flushright}
Hayek was thus committed to creating a vision which he conceived of as Utopian, albeit a very different Utopia and one which those who strongly oppose the neo-liberal vision may see rather as a Dystopia:

We must make the building of a free society once more an intellectual adventure, a deed of courage. What we lack is a liberal Utopia,\textsuperscript{177} a program which seems neither a mere defense of things as they are nor a diluted kind of socialism, but a truly liberal radicalism which does not spare the susceptibilities of the mighty (including the trade unions), which is not too severely practical, and which does not confine itself to what appears today as politically possible.\textsuperscript{178}

Thus, the intellectual and political were brought together. Hayek used intellectual means to contest and bring forward for discussion the wisdom of centralised, large-scale state intervention. He problematised social planning and calculation which bypassed the market as an institution of communication. In other words, Hayek engaged in action that brought issues

\textsuperscript{177} Edwin R.A. Seligman, ed., \textit{Selections from the Encyclopaedia of the Social Sciences} (New York: Macmillan, 1938) 200 offered the following definition of utopia: “The word utopia, a coinage from the Greek, meaning literally “nowhere,” was first used by Sir Thomas More in 1516 as the name of a far distant island on which, according to his fiction, there existed an ideal commonwealth. Since the publication of More’s Utopia its title has been appropriated to designate more or less indiscriminately literary works of all ages which seek, whether through the medium of the dialogue, the novel or some similar form, to conjure up a society or state free from human imperfections. In recent years, however, the term has come also to be used in a more strictly sociological sense. The analysis of a particular type of intellectual outlook and thought pattern which is now designated as the utopian mind or the utopian spirit has become one of the most fruitful fields of inquiry for contemporary sociologists. It is coming to be realised that a clear understanding of the structure and characteristics of this psychological type is important not only in itself but also because it throws light on the social process as a whole no less than on intellectual development in its broader aspects. As a literary genre the utopian fiction made its appearance many centuries before More. It was Plato who furnished, notably in his Republic, the general model to which all later utopian fictions have been heavily indebted.

\textsuperscript{178} Hayek, “The Intellectuals and Socialism” 25. Neo-liberal intellectuals usually see the need to frame their project in utopian terms, but stress that it is one without a blueprint. They oppose blueprints, engineered systems and planned societies because of the constraints placed on individual freedom, their beliefs that one should not decide what the “good life” entails for another and that nobody is so infallible as to be able to foresee the future.
to light which hitherto had lacked the expression he and the movement around him were to give it.

Assessing Hayek's contribution to the revival of interest in and understanding of a reformulated classical liberalism, Eamonn Butler, in his book on Hayek, sees Hayek's contribution as an example confirming his beliefs on the power of ideas, and the people behind them — in line, therefore, with his belief that all of the great social movements have been led not by politicians but by "men of ideas." 179

The framework formulated by Eyerman and Jamison places great emphasis on process, and thus is well suited to a study taking issue with an approach in which the "New Right" is explained as an almost spontaneous response to economic restructuring and crisis. The cognitive approach brings into focus the protracted campaign involved in constructing a consciousness, along with the requisite organisational strategy for social transformation, both lengthy processes conducted in a context which has both facilitating and hindering aspects.

Social movements seldom emerge spontaneously; instead they require long periods of preparation both at the individual, group, and societal level. No social movement emerges until there is a political opportunity available, a context of social problem as well as a context of communication, opening up the potential for problem articulation and knowledge dissemination. Not every social problem, however, generates a social movement; only those that strike a fundamental chord, that touch basic tensions in a society have the potential for generating a social movement. 180

Similarly, with its focus on the role played by movement intellectuals, the Eyerman-Jamison framework is conducive to a position which argues that by overemphasising social

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180 Eyerman and Jamison 56.
transformations as a response to economic and technological changes, and to crisis, one fails to capture the role of actors, their initiatives and negotiations, in the transformational process.

The three aspects of subjectivity, activity and context are used to structure the cognitive approach by synthesising action and actors with configuration and contextual constraints.

For Eyerman and Jamison the cognitive praxis of a movement develops over time, and it is a process which is best studied empirically. In Parts Two and Three of the study, empirical material related to a 50-year campaign is examined, structured and elaborated on.

It is not the focus or purpose of this study to evaluate neo-liberal, libertarian or Hayekian arguments, market-based approaches or the policies of Thatcherism and Reaganism — the latter terms generally denoting what has been called the politics of the free economy and the strong state and which indeed may not have been fully consistent with a liberal position, as suggested by scholars such as Brittan (1988) in Britain and Robert Higgs (1987) in the United States – nor is it the intent to examine whether the deregulation undertaken may have been a transformation from one form of regulation to another. Not only do the Thatcher/Reagan years fall outside of the 1931-1981 time frame of this study, but such an inquiry would constitute a thesis of a very different kind. As discussed in the postscript to this thesis, there is already an overabundance of accounts which deal with Reagan or Thatcher, many either wholeheartedly celebrating them or rejecting their ideas out of hand, an aspect also discussed

181 Ibid 61.
182 Indeed, many both inside and outside of the academy have argued that Reagan’s policies were, in many ways, far more in line with the Keynesian position. Bruce Robbins, for example, refers to “Ronald Reagan’s military Keynesianism” in “Introduction: The Public As Phantom,” Bruce Robbins ed. The Phantom Public Sphere (Minneapolis: University of Minnesota Press, 1993) xv.
by Gray and Brittan in regard to Hayek in the introduction to this thesis. It may also be necessary to stress that it is not the purpose here to consider whether there is now “intervention” on the part of large corporations or international capital rather than an open international or social field. That, too, would entail a project of a very different kind.

The thesis finds its place in the social movements literature and the interest here is on the process for the winning of consent for a set of ideas or new common sense, and thus it is not the direct project to evaluate, or pass judgement on any particular critical sense transformed into “common sense” formulated and disseminated by a movement. Indeed, a review of past and present movements engaged in social transformation would seem to indicate that the success of a movement and the particular ideas that it disseminates often have little to do with what commentators may refer to as the worth or merit of the ideas.

5. Cycles and Social Movements

In order to understand cognitive praxis as movement in formation, Eyerman and Jamison, in a manner common in the field, divide this development into different phases so as to track the progression. It is this pattern which is followed for this study, bearing in mind that no progression could be theoretically formulated which would prove a suitable fit to all social movements, given their complex, dynamic, evolving and synergistic character.184 Stewart, Smith and Denton describe the benefits and drawbacks of using a “life cycle” analysis thus:

Any effort to prescribe a life cycle suitable to all social movements, then, is fraught with dangers. The effort can be productive, however, if the life cycle is constructed with the full realization that social movements differ, change, and develop to varying degrees of sophistication and at varying speeds – stalling at

184 Stewart, Smith and Denton 85.
times, rushing forward at others, retrenching to earlier stages, or dying premature deaths before all stages are completed. A portrayal of each stage in the life cycle of “typical” social movements can help us to understand the ever-changing persuasive requirements, problems, and functions of social movements and the interaction of social-psychological, political-institutional, philosophical-ideological, and rhetorical forces.185

Eyerman and Jamison see the first phase of the process as that in which the movement is largely defensive in its strategic focus, a period of awakening or gestation. Piotr Sztompka describes the first of the major stages as “origins,” and uses it to refer to the pre-existent structure constituting a pool of resources and facilities for the movement.186

Stewart, Smith and Denton see this first stage as the genesis, a period in which few take seriously the intellectuals who “define” and “visualize” for the movements. For this project the period identified as such is 1931 to 1944. They see three types of movement – revivalist, which addresses an idealised past; innovative, which addresses an intolerable present and prescribes a means for the future; and resistance, which addresses a terrible future that is certain to result if current trends are not stifled.187 While there are elements of all three in the movement being studied, the last of these conceptualisations appears to fit this project best.

Next, there is a shift from defensive to offensive strategy, during which the movement undergoes formation and begins its organisation, or what Sztompka terms the stage of mobilisation,188 distinguishing itself as a social movement and not merely an action group or single-issue protest organisation. The period of formation, dealt with in Chapter 7, includes

185 Ibid 37.
187 Stewart, Smith and Denton 38.
188 Sztompka 288.
the establishment of the Mont Pèlerin Society in 1947 and covers the period from 1944 to 1957, the year in which the IEA can be seen as becoming fully operational.

In the third phase the movement consolidates, and it is in this phase in terms of the general literature that movements are most vulnerable to dissension and polarisation.¹⁸⁹ The period of consolidation, or what Sztompka describes as structural elaboration,¹⁹⁰ in this study is dealt with in Chapter 8, and covers the years from 1957 to 1974, the year in which Hayek won the Nobel Prize for economics.

Chapter 9, covering the period 1974 to 1981, considers the further consolidation of the 1970s, when Hayekian research and policy institutes were established by Fisher in North America. By the end of this period Thatcher and Reagan – two leaders distinguished by their commitment to limited government and the market, at least rhetorically – are in power following a decade marked by economic and political crisis.

The life-cycle approach is used and developed to give a coherence to Part Three, in which the various data – collected through interviewing, observation and other research activities – are dealt with and the framework is applied to the movement under investigation.

Besides taking the broad approach outlined in regard to the contested term "intellectual,” this study follows the belief of Hayek and Keynes in the power of ideas, and thus of the bearers of those ideas – as enunciated in the two quotations at the start of this section – in that, in the particular context chosen, this study considers groups similarly committed to this persuasion.

¹⁸⁹ Eyerman and Jamison 56.
¹⁹⁰ Sztompka 289.
Part Two considers this context, this field of historicity, which shaped the movement intellectuals arguing for market-based approaches, and a context, which is, in turn, shaped by them.
CHAPTER 3

The Research

1. Research Problem

Driven by a curiosity as to the role of the social actors in the movement for reduced government involvement and a more market-based social order and the process of transformation in which they were engaged, this study considers how their grouping was formed and maintained, with the objective of contributing to an understanding of the role of intellectuals as actors in social change in a century in which theorists of very different persuasions (Hayek 1949, Gramsci, translated into English in 1971) have argued that the role of the intellectual and activist has expanded dramatically, especially in Western-style democracies. To this end, the study concentrates on the intellectuals, their knowledge creation, their practices, mobilisation strategies, intellectual activities and the organisational cultures in which they operated – examined always in relation to the specific contexts and social relations within which they have worked.

In the 50-year period of this study, during which intellectuals associated with Hayek, Mises and the Austrian School developed their critique of blueprints, central social planning and large-scale state intervention and took issue with positivist attitudes of certainty and predictability, neo-liberals and libertarians in this tradition advanced their status and ideas significantly. From a scattered, marginal existence in opposition to the dominant postwar Keynesian approach they achieved a position whereby leaders citing their influence and

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191 Hayek, "The Intellectuals and Socialism" 5; Gramsci, Selections from the Prison Notebooks 10, 13.
espousing limited-government, market philosophy came to power in Western democracies and former east Bloc countries alike.

The practical applications and social policies which flowed from the success of market-based discourse in the public and political arenas give the impetus for a study of the grouping of intellectual activists largely responsible for its rise and the social processes in which that grouping’s members were engaged.\textsuperscript{192}

2. Research Strategy: Why this Approach?

The strategy of this investigation, which examines how the process of constructing collective action can take place, was formulated so as to capture that which it argues has been neglected in earlier accounts, as discussed. By combining documentary, interviewing and observational research methods, this study assembles additional material of a kind that can escape scholars who either theorise from certain of the outcomes which flow from social transformations or rely on documentary evidence alone. By embracing these various methods of bringing evidence to an argument, this project studies the important, inaugural grouping of the movement for limited government and a more market-based order from the additional perspective of how the actual participants see their role, thus using an investigative attitude often adopted by scholars inquiring into social movements and the role of movement or organic intellectuals in any process of social and cultural change.

\textsuperscript{192} However, it is not the position taken in this study that the “success” of a social movement should be evaluated in terms of its “success” at the polls or in the political sphere alone; or for that matter in the ideological sphere. Indeed, the very notion of success is troublesome, and here success is used in the limited sense to mean the electoral success of political leaders associated with marketplace discourse over the last 15 years.
This blend of the various research methods facilitates an understanding of the process of social change and the role of actors involved with the development and acceptance of the ideas and policy programmes associated with them because it combines detailed observation from close up with consideration and reflection from afar. Such an approach addresses the problem referred to by Touraine in Return of the Actor, in which he argues that the sociologist interested in the study of historical action is in a situation "practically devoid of method." As a way out of this predicament he offers the following as part of a strategy:

It is by concentrating our attention upon the actors themselves as we apprehend them under the conditions of their concrete existence that we will come closest to the mechanisms by means of which we can get a glimpse, beyond behavior related to social consumption, of behavior engaged in the conflictary production of the society ... The study of historical action requires the apparent paradox of a distance from broad frescoes and extensive opinion surveys and instead the practice of intensive studies of restricted groups, researched at length and in depth.194

Conditions are not of people’s own making, but people do make history, or to put a similar argument, detailed earlier, subjects may be constituted by a matrix of power but there are possibilities of reworking it that can destabilise existing regimes of power. It is social actors who create and maintain the recurring patterns of social behaviour referred to as social structures, which they can, and do, transform or recreate. This understanding means looking as well at specific actors in their context, a context that is intellectual, cultural, economic, historic, spatial and political. In other words, examining what Touraine refers to as:

... the formation of historical activity; the manner in which men fashion their history.195

193 Touraine, Return of the Actor 92.
194 Ibid 93.
In other words, an examination of the contribution to "history" that was made by the intellectuals and activists who are the focus of this study. In this instance some of the "history" that was made was the revolution that Saunders and many others have spoken about that transpired in Britain in and around the 1980s when previously nationalised companies and public housing projects were privatised, market-based approaches adopted in health care and education, foreign exchange controls lifted, trade union and other professional privileges eroded, and inflation – which had become a problem during the Keynesian consensus years – reduced significantly, among other things. Change is cultural as well as political and economic, often happening at the micro as well as the macro level. It is difficult to separate these various elements, and studies which have reflected on the changes that have come about in Britain reveal contradictory attitudes and reactions to it. “Revolutions” often tend to look less revolutionary upon later examination, both because the viewer has become accustomed to some of the changes and because new hegemonies are always partial and incomplete. By way of an example, Saunders and Harris point out in their examination of privatisation and “popular capitalism” that while share ownership has more than quadrupled, Britain “is still a long way from being a nation of shareholders” after the privatisation programme of the 1980s. Nevertheless, the 1930s finally banished the idea that home ownership was only for the rich, they argue, just as the 1980s abolished the idea that ownership of shares was only for the privileged.

In both cases, a form of property ownership previously thought of as ‘alien’ to ordinary people’s culture became

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196 For example, the discussion in Saunders and Harris.
197 While the privatisation programme falls outside of the period covered in this study, it is dealt with further in Chapter 10 and Appendix X.
acceptable, desirable and unexceptional within the culture and lifestyle of middle England.198

The issue of the cultural aspects of economic and political change, previously associated more closely with arguments emanating from what is referred to as the Right, has recently been examined by a Labour Party Member of Parliament and chair of the Commons Social Security Select Committee. In a document, “Making Welfare Work,” Frank Field makes the argument that the failure of the welfare state is at the moral as much as the economic level. According to Melanie Phillips of The Observer, Field, in an “analysis more generally associated with the American Right than with a Labour MP,” and one which has proved controversial, puts the central paradox of welfare as seemingly that the more funds the system receives, the more people are linked to poverty, crime, dependency and hopelessness. Self-help is paralysed, self-improvement and tax honesty discouraged. Phillips points out that as director of the Child Poverty Action Group in the 1970s, Field advocated precisely the poverty agenda he now holds responsible for many social ills.

She sees Field as now “telling the truth,” having learned from his constituents, as “uncomfortable and hard as it is.”199

Saunders and Harris note that the privatisation programme shifted the cultural norms regarding investment and shares, but the government’s ambition, as they see it, was bolder

198 Saunders and Harris 151. See their discussion on the impact of privatisation on the British, in which they conclude (p. 161) that “the evidence reviewed in this chapter does not suggest that British culture is antithetical to capitalism as such, but it does indicate cultural ambivalence and contradiction.”

than this, seeking not only to change cultural norms but also to influence cultural values, and in this they may have failed, they argue.

Cultural approaches to understanding social movements, as opposed to emphases of collective behaviour and structural approaches, are gaining currency, such that Doug McAdam argues:

Given the entrenched political and economic opposition movements are likely to encounter, it is often true that their biggest impact is more cultural than narrowly political and economic. 200

Social and economic changes at the micro and macro levels are linked as well – what happens at the one level affects the other, and vice versa. For example, the lifting of foreign exchange control measures by the Thatcher government in 1979 shortly after she took office had an impact on the individual practices of British citizens, who were able to travel far more easily than previously, as it did on the country’s foreign exchange holdings, and thus its trade and international relations.

For Hayek, it is the intellectual context, and changes to it, that are crucial to social transformation. With his belief in the power of intellectuals and the ideas which they disseminate, Hayek, in a manner consistent in this respect with a Gramscian position, sees a significant role for human agency, but in the long term; in the short term people are constrained by structures, especially mental structures. It is said that when he advised Antony Fisher in the 1940s prior to the establishment of the IEA in 1955 that the way to change society was not to go into politics but to set up an independent institute and work to influence

intellectuals, Hayek told him not to expect any results for 25 years.\textsuperscript{201} This notion is consistent with an earlier observation of Hayek's:

If in the long run we are the makers of our own fate, in the short run we are the captives of the ideas we have created.\textsuperscript{202}

It is this long-range contribution which this study attempts to assess, principally by examining a body of direct historical evidence relating to the cognitive praxis of a movement to judge to what extent the themes of a changed world can be identified in it.

During the period 1931 to 1981 at least, the focus falls on the neo-liberals – quite aside from their inaugural role behind the leadership of Hayek, and, as discussed in the previous chapter, frequently referred to by him as groups of libertarians – as perhaps the most important of the three major groupings which come together in the wider movement for limited government and a more market-based society. The neo-liberal position with which Hayek was associated – deriving its reformulated ideals from classical liberalism but not to be equated with the \textit{laissez faire} position\textsuperscript{203} – was certainly more influential than the neo-conservative\textsuperscript{204} element, which often links its call for a more market-based society to its appeals for greater authority within

\textsuperscript{201} As related by Linda Whetstone, daughter of Fisher, in an interview undertaken for this project.
\textsuperscript{202} Hayek, \textit{The Road to Serfdom} (Chicago and London: University of Chicago Press, 1944) 2.
\textsuperscript{203} The following definition of market liberalism can be extracted from Samuel Brittan. Noting that all labels are somewhat arbitrary and that people rarely fit into neat categories, he offers market liberalism's main plea that government corrective action should take the form of known rules rather than discretionary and unprincipled intervention, and that it should make use of price mechanism remedies wherever possible. The ideal of market liberalism derives from classical liberalism, he says. Brittan 211-212.
Jim Tomlinson describes Hayek as an advocate of liberalism in economic affairs without, however, being an advocate of \textit{laissez faire}. \textit{Hayek and the Market} (London and Winchester, Mass.: Pluto Press, 1990) viii.
\textsuperscript{204} A case could be made that while it is the neo-liberals who dominated in the period under discussion, the neo-conservatives later took over, especially following the election victories of Thatcher and Reagan. Perhaps the argument could be put, to parallel Hayek's argument that the planned economy can give rise to the totalitarian society, that the neo-liberal position facilitated the neo-conservative position.
it, or the group generally referred to as libertarian, which argues for only the most minimal of states with extensive freedom and does not appear to have held a dominant position at any time in the development of the movement.

There is an emphasis in this study, mostly in Part Three, on intellectuals in research and policy institutes, or think-tanks, since that is where the more influential members of this primary grouping of neo-liberal intellectuals are usually located. These institutes are a relatively recent addition to the intellectual landscape, a knowledge site which the neo-liberals themselves developed and popularised as a result of their commitment to winning consent for limited government and a market-based social order. David Warsh describes these knowledge sites, which he sees as having become familiar and powerful in contemporary times, as operating on the boundary between university scholarship and public policy. Through a vigorous engagement in public policy debates, often on controversial topics such as the decriminalisation of marijuana — putting positions on this issue that are becoming more mainstream as more government bodies consider this option — these institutes have become influential contemporary participants in social, political and cultural change. As discussed, the Hayek-Fisher think-tanks, as organisation sites, are given close attention in this study, each

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205 In the description given by Banu Helvacioglu in “The God-Market Alliance in Defence of Family and Community: The Case of the New Right in the United States,” Studies in Political Economy 35 (1991), the U.S. is stressed, an emphasis pertinent and appropriate if the neo-conservative position is indeed more apparent in the latter stages of the period covered in this study, boosted perhaps by the electoral victories of Reagan and Thatcher at the end of the 1970s, and in North America, where it takes on a religious tone not present in the early stages of development, say at the time of the inauguration of the Hayek-inspired Mont Pèlerin Society. Helvacioglu argues that: “The New Right (NR) in the United States refers to a coalition of religious and pro-family groups, think-tanks, Political Action Committees and lobbying groups which operate at both national and local levels.” 103.

being seen as an embodiment of the intellectual project associated with Hayek, the Mont Pèlerin Society and their campaign against large-scale state intervention.

3. Research Questions

This study’s focus in the substantive section is guided by the central research question:

In the years 1931 to 1981, how did intellectuals associated with the critique of centralised, large-scale state intervention and the revival and reformulation of liberal thought who were convinced of the power of ideas organise themselves for the effective creation, development and dissemination of limited-government, marketplace ideas, and in this process construct an anti-statist entrepreneurial subjectivity and create a collective movement consciousness?\(^{207}\)

Put differently, the question entails considering how the intellectual activists, committed to the power of ideas in action, developed sites at which to come together to create a sense of solidarity and entrepreneurial subjectivity not reliant on notions of an all-pervading state, which they rejected, and embracing a flexibility and innovative style suited to the project of development and dissemination of their ideas.

\(^{207}\) The sense in which “collective consciousness” is used here is informed by the following assertion by Melucci in an interview in which he refers to the problematic nature of the notion of solidarity: “... I soon realized that solidarity is not a given state of affairs, and that a social movement is a multifaceted reality. I therefore became convinced of the need to clarify how collective actors come to define themselves as a unity. So when I now use the term solidarity I use it as an ideal-type. It refers to a dynamic and unstable reality, to the product of intense interaction, negotiation, conflict and compromise among a variety of different actors.” Melucci, “Rethinking Democracy,” Nomads of the Present 217.
The detail of the answer to the central question is assembled through the following component questions:

- Who were the intellectuals,\(^{208}\) where were they located and what were their strategies for the revival and reconception of liberal thought leading to political change?

- How did these factors change over time, in light of the generational and geographical separation of the various intellectuals of the neo-liberal movement and the changing contexts?

- How was a consciousness and subjectivity fostered within the movement and how, in particular cases of the intellectuals interviewed, was their identity constructed, and in what context?\(^{209}\)

- Do they “live” their ideas in their personal and organisational practices; in other words, are their practices similar to their preachings?

- In terms of their strategies, what institutions of knowledge have they developed and used, and what has been the effect of their activities on those institutions? Have new spaces for the creation of knowledge been established, and what have been the effects of their activities on prevailing intellectual life?

- Are think-tanks successful institutions for the dissemination of ideas? Which are the groups committed to their maintenance and extension, and which, if any, to their demise?

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\(^{208}\) Some of the previous studies suggest some sort of class correspondence, but indeed the intellectuals in the movement arguing for more market-based approaches are drawn from all of the major classes – the working class, the middle class and the upper class, as has been true for other movements as well.

\(^{209}\) As Melucci points out in “Rethinking Democracy” in Nomads of the Present, “collective action effects not only social change but also transformations of individual experience.” 183.
The emphasis is thus on the strategies, methods and practices of the movement and the organising of a critical sense of the reigning state interventionist common sense by its intellectuals, rather than on any direct evaluation of their arguments, beliefs, or motivations.

4. Procedures

(i) Interviewing

Interviewing is an effective research technique for gathering information on the perceptions and practices of active intellectuals and their role in the gaining of consent for an alternative social order, and was an important method used in this study to gain evidence for an approach informed by social movements theory. The interviews of the movement or organic intellectuals, the key figures associated with the neo-liberal movement, were conducted in Britain and in North America over the period 1991 to 1994.

The use of a social movements approach encourages a wide casting of the net in regard to the interviewing of active intellectuals, and the selection of intellectual figures regarded as key to the development of the movement and therefore to be interviewed was as extensive as possible so as to apprehend the generational and contextual changes which are important in any social movement.

An appendix to this study giving fuller details of the interviewing procedure – who was interviewed, how often, where and when, as well as the list of general questions that was used to structure the thinking about the majority of the interviews – was chosen as the best method for the presentation of this material. This was done to allow easy access to the information without weighing down the body of the text with material which could interfere with the flow
of the argument. However, as every interview was specifically designed to obtain different combinations of information depending on the subject’s role in, or relation to, the movement, questions did not follow a structured format. The interviews were guided rather than determined by the list of theme questions included in the appendix.

Hayek’s illness and subsequent death in 1992 and Fisher’s death in 1988 precluded any possibility of interviewing either the man most responsible for the movement – both in terms of his scholarly work and his active organisation and mobilisation – or the man who set up the groundbreaking IEA in 1955.

Nevertheless, there is much in their writing, their correspondence, their intellectual practices and in writings about them to convey their belief in the importance of the role of the active intellectual in social transformation. Extracts are taken from Hayek and Fisher’s writing – from both their more formal expressions and their correspondence, some of which is at the Hoover Institution at Stanford University and some held by Fisher’s daughter, Linda Whetstone – on the gaining of consent for an alternative social order. In addition to this procedure, other movement figures closely associated with these two men were asked about Hayek and Fisher’s views and practices in this regard.

Arguably the next most important figures in regard to the topic set out for this study are Ralph Harris and Arthur Seldon – two economists with a taste for controversy, says Timothy Raison210 – who have been involved with the running of the IEA almost since its inception and thus have contributed to the way in which it has developed. Seldon was also a student at the

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LSE during Hayek’s time there. Both men were interviewed on a number of occasions. This interviewing took place over a period of some two years, at various locations – some sessions more formal than others, in Britain as well as in North America. Harris and Seldon were consulted at the IEA in London as well as at their homes in the U.K. in 1992, 1993 and 1994, and on the occasion of the Mont Pèlerin Society’s annual meeting in 1992 in Vancouver.

John Blundell, also a former LSE student but four decades later in the 1970s, was interviewed in spring 1992 before he took up the position at the beginning of 1993 of director of the IEA, to which he had been introduced while at the LSE. At the time, Blundell was head of the Atlas Economic Research Foundation, presiding over both British and North American operations, and he also held an important position with the closely linked Institute for Humane Studies. He remains involved with Atlas as chair of the board. Blundell was interviewed again as IEA head at the IEA itself in 1993; in the early fall of 1992 while attending a Mont Pèlerin Society meeting in Vancouver; in 1993 at an Atlas seminar in Virginia; and again at the IEA in 1994.

These intellectuals came into the movement at different times. Blundell is of a later generation than Harris and Seldon, with Seldon being older than Harris, both of whom were in turn of a later generation than Hayek. All three active intellectuals knew and corresponded with Hayek. This wider selection of figures within the movement facilitated the capture of the changes in the kinds of movement or organic intellectuals, with the comparative emphasis highlighting the changes in the movement as it developed and moved into its different phases, an approach which is in line with the framework conceived by Eyerman and Jamison, and which also avoids falling into a “great person of history” interpretation. Hayek and his mobilising and
related movement activities take up a significant part of this thesis, given the important symbolic and organisational role he played within the movement, but this is done not so as to place him in a great-person-of-history position, but to consider his role as a key movement intellectual.

Seldon, Harris and Blundell, all members of the Mont Pèlerin Society, are the most comprehensively interviewed in the study because of the key role played by the IEA. Seldon's involvement with the thinking associated with Hayek since its early origins in the 1930s while he was a student at the LSE was important for historical depth.

A significant number of interviews with other figures in the movement was also conducted. These included active intellectuals who have written about liberalism, for the IEA or about the IEA, such as London Financial Times editor Samuel Brittan, and intellectuals at other research and policy institutes, such as Bill Hammett at the Manhattan Institute in New York City and Eamonn Butler at the Adam Smith Institute (ASI) in London. They also included intellectuals at the Institute for Humane Studies, an academic institution, as well as key academics who not only act as board members for institutes but publish and disseminate work through them, such as James Buchanan and Milton Friedman, two of the movement's Nobel prize winners. Hayek was among other members to earn a Nobel prize, a recognition which points to the movement's intellectual move into the mainstream.

Others interviewed were intellectuals who were either part of the grouping at the LSE opposing the Keynesian consensus or were witness to the battle of ideas there, such as Ronald Coase, another Nobel Prize winner. Coase, Alan Peacock argues, selecting his work as one of
two examples of note in recent British economic thought, “virtually founded the new
discipline of legal economics” with his studies of the economics of contractual relationships.²¹¹

Among other interview subjects were active intellectuals who were to become politically
involved, such as Thatcher’s economic advisor, Alan Walters – like Coase, a member of the
IEA’s advisory council. Also interviewed were IEA board members or financial contributors
and academics such as sociologist and University of Sussex professor Peter Saunders, who is
familiar with the publications and practices of the IEA and has carried out research on the
policy of privatisation in the U.K.

Interviews were not confined to those inside and in some way associated with the movement.
Inspired by the success of the IEA, the Institute for Public Policy Research (IPPR) is a
research and policy institute which was set up in the 1990s by people on the “left.” Its head,
James Comford, was interviewed twice on, among other things, the role of the think-tank in
the contemporary intellectual and political context, a topic he has written on as well.

Interviews with key movement intellectuals in another two think-tanks that followed the IPPR
were also conducted, these being the Social Market Foundation, established in 1989 by David
Owen supporters after the demise of the Social Democratic Party, chaired by Keynes
biographer Robert Skidelsky and directed by Danny Finkelstein; and Demos, of which former

²¹¹ David Greenaway and John R. Presley, eds., Pioneers of Modern Economics in Britain Vol. 2
Classics (London: The Economist, 1991) 22, where it is remarked that Coase’s work led to a
rethinking in microeconomics which spurred the growth of a distinct new branch of the subject
called law and economics.
British Communist leader and former *Marxism Today* editor Martin Jacques was a founder in 1993.

While the formation of these think-tanks occurred after 1981 and does not fall either within the period to which this study confines itself or within the Hayek/Fisher boundary, the material gathered from them will inform the thinking in the thesis but more especially the concluding chapter, which reflects on the effect, both realised and potential, of the think-tank on intellectual life and the institutions of knowledge as well as social life in the latter half of the 20th century.

Details of this interviewing process are either blended into the analysis and description or included in the appendix, where the benefit is that readers may inspect procedures, in particular where any replication is being considered.

**ii) Observation**

Observation was another of the methods used, one opportunity for this being at the annual Mont Pèlerin Society meeting in Vancouver in 1992. The actual sessions at which papers are presented are open only to members and their guests, but some of the papers were made available and there was one session that was open to non-members. It was possible to interview a number of members during lunch and session breaks and generally to observe the engagement and interaction between members and the organisational procedures accompanying the week-long programme.

Other important opportunities occurred with the observation of the practices of the movement intellectuals at a number of Atlas-sponsored reunions and meetings, one of which was held
just prior to the start of the Mont Pèlerin Society meeting in Vancouver, and the most comprehensive of which was attended in May 1993 near Washington, D.C.

Time was spent working in the joint Atlas Foundation / Institute of Humane Studies library and the library at the IEA, furthering opportunities for observation of the practices of the neo-liberal movement intellectuals. Observation also took place when visiting the institutes to interview the active intellectuals.

iii) Documentary Research: Historical, Biographical and Organisational Statements

The release of Hayek’s papers in 1992 following his death accounts for a large part of the documentary evidence investigated in this study. This substantial collection, along with the Mont Pèlerin Society collection, is located at the Hoover Institution Archives at Stanford University in Palo Alto, California. This correspondence includes a significant body of letters and documents that illustrate not only Hayek’s role in establishing the Mont Pèlerin Society but much that can be analysed in regard to his view of the role of the intellectual in inspiring social change.

Also examined were the documents of Fisher’s lodged with the Whetstones in the U.K.

Other documentary evidence used includes reports released by the IEA, such as annual reports and other statements, and other organisations in the movement. Material obtained on, and at, the LSE, is included among the documentary material used to situate the beginnings of the New Right in the 1930s.

Analysis of material gathered is undertaken largely in Part Three.
5. General Significance of Research Approach

The study's research strategy, with its comparative emphasis on interviewing and observation along with a historical approach to the documentary evidence, confirmed what was at the outset little more than a presentiment, an initial insight, that perhaps more had contributed to the political and policy "successes" of the New Right than the facilitating circumstances of the 1970s, out of which it was said to have grown, be they the opportunities offered by global restructuring, the demands which followed both the economic and legitimation crisis or, at certain research and policy institutes, generous corporate funding – the explanations proffered by a number of theorists for the New Right's origins and "success."

Another motivating aspect was the discovery of a similarity in certain respects between the positions of Hayek and Gramsci on the importance of the intellectual realm and the role of intellectuals (aside, of course, from the link to a class in Gramsci's work).

The accounts which see generous corporate funding as key to the "success" of the New Right may have overstated the general case by taking the specifics of certain North American situations to be the norm. Corporate funding is generally far stronger in North America than in other countries – partly the result of different tax regulations and requirements regarding charity status – yet many think-tanks do not seem awash in funds. On the contrary, a number of active intellectuals located within them stress the hostility on the part of many corporations to competition and market practices, and thus their reluctance to contribute to the activities of

212 In the interview with The Guardian of April 19, 1993 in which funding is discussed with Madsen Pirie of the Adam Smith Institute, the author notes that the funding of the think-tank "is un-sinister," with just under half of it coming from sales of publications and "quite profitable" conferences.
proponents of market-based ideas. These insights are brought to the conclusion of this thesis, where they are discussed.

Each method used in this study to some extent serves to monitor the "authenticity" – a term used with caution – of the information, gathered by other methods. For example, the information and insights gathered from interviewing active intellectuals on certain aspects can often be set, tested or verified against that obtained from the documentary material available. Thus, a multi-method research strategy making use of comparative analysis, be it of time, generation, or location, can offer the richness that comes with techniques such as interviewing and direct observation – what has become known as "thick description" – along with the different kind of specificity that can be obtained from archival material and other documentary evidence.

There is also a research advantage to investigating the think-tank phenomenon over a longer period. It offers an historical sweep that brings into view and underscores not only the protracted campaign, highlighting just how many forces and factors contribute to any changed order, but also the operations, strategies and location of institutes in the period before market-based arguments had become mainstream and the think-tanks part of the legitimised intellectual and political landscape. With the changes in context, this method makes it easier to

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213 An article by Robert Chesshyre in *The Observer* of Dec. 29, 1985 (p. 48) makes the observation that:

What the New Right hasn't got – which may bring some relief to their opponents – is either a great deal of money or computer-based firepower. I visited three organisations, none of which employed four people, and whose combined incomes wouldn't cover the lunchtime expense account of the American Heritage Foundation. Battered typewriters were more in evidence than VDUs. (video display units)
identify the changes that occurred during the campaign and the differences in the various stages of the crusade for a more market-based social order.

This historical perspective raises a question: Had these intellectuals not waged a 50-year battle of ideas on the intellectual front, could the policy and political response to the economic crisis of the 1970s have been different? Indeed, how is it possible to know whether their activities were in fact an important contribution? A certain and precise answer is impossible, but a detailed and considered analysis appropriate to the complexity of the process of social change brings forward evidence which can shed light on the transformation.

Asked this question, movement intellectuals expressed their agreement with Hayek and Keynes that ideas and the people who deal in them play an important role in any social transformation, a not surprising sentiment given their commitment to the dissemination of neo-liberal ideas. They argue that the market-based policy recommendations which were picked up by politicians were available through the institutes and intellectuals when policy-makers faced a “crisis;” that their intellectual campaign made certain thinking possible, perhaps, as was argued earlier, even creating it. In the absence of these factors, the movement intellectuals assert, the response to the 1970s “crisis” might have been different. As intellectuals committed, like Hayek and Keynes, to the power of ideas in social transformations, their interpretation is that they did influence thinking over the several decades, facilitating what some have referred to as “the thinking of the unthinkable.”

This investigation of a group of intellectuals who see ideas as having significant power traces the ways in which this perception informed what they did, and how, and why, this would change with changing circumstances, indeed how the campaign may have contributed to the changed circumstances. In the words of Jean Cohen and Andrew Arato, this study’s intention is “learning not only about but also from movements.”

PART TWO

Considering the Contexts: The Political, Economic, Cultural and Intellectual
... we must find new policies and new instruments to adapt and control the working of economic forces, so that they do not intolerably interfere with contemporary ideas as to what is fit and proper in the interests of social stability and social justice.

— John Maynard Keynes

It was only when, because the economic system did not accomplish all we wanted, we prevented it from doing what it had been accomplishing, in an attempt to make it obey us in an arbitrary way, that we realised that there was anything to be understood. It was only incidentally, as a by-product of the study of such isolated phenomena, that it was gradually realised that many things which had been taken for granted were, in fact, the product of a highly complicated organism which we could only hope to understand by the intense mental effort of systematic inquiry. Indeed, it is probably no exaggeration to say that economics developed mainly as the outcome of the investigation and refutation of successive Utopian proposals — if by ‘Utopian’ we mean proposals for the improvement of undesirable effects of the existing system, based upon a complete disregard of those forces which actually enabled it to work.

— Friedrich A. Hayek


CHAPTER 4

The period 1931-1948: From National Crisis to the Official Inauguration of the British Welfare State

The severe unemployment of the 1930s left Britain’s policy formulators virtually paralysed despite numerous leadership changes. The experts and intellectuals were divided, paradigms and people pitted against one another.

This surge of unemployment, where unused resources and a large, idle work force produced extreme poverty to make it the worst world-wide slump in history,\(^{218}\) gave the decade a mood of uncertainty and despair and a climate of agitation. The percentage rate of unemployment in the United Kingdom was in double digits throughout the 1930s, beginning the decade at 16 per cent in 1930 and ending it at 11.6 per cent in 1939, with a high of 22.1 per cent in 1932.\(^{219}\) According to Douglas Ashford, Britain experienced worse unemployment than any other democracy.\(^{220}\)

John Stevenson and Chris Cook give this assessment of the interwar years:

> From the collapse of the postwar boom in 1921 until the first year of the Second World War, Great Britain suffered unemployment on an unprecedented scale, with never less than a million people out of work. Depression during the 1920s gave way to the slump which followed the Wall Street crash of 1929. Britain’s worst years were experienced in the aftermath of the financial and political crisis of August 1931.\(^{221}\)

Unemployment continued to rise through the winter of 1931-32, reaching a peak in the third quarter of 1932, when there were almost three million people out of work in Britain, according to Stevenson and Cook.\textsuperscript{222}

Ashford contends that to understand the British despair between 1930 and 1934, it is important to see how the presence of poverty hung over the country between the wars, with economic decline and labour unrest pushing the Poor Law registration to over 1.3 million people in 1921, the highest since 1863, with about half of these people unemployed. Seven years later in 1928, those on poor relief still remained at over a million. Ashford sees more than a little irony in the fact that the Labour government was forced “to grasp the Poor Law nettle” in 1930, given the shattered state of unemployment insurance finances. Unemployment was at 15 per cent, the highest since 1921, says Ashford, and the Unemployment Fund had to dispense £110 million when its income, with little prospect of change in the near future, was down to only £4 million. The transitional payments scheme, the cost of which had been estimated at £4 million, had already absorbed over £20 million by mid-1930, according to Ashford.\textsuperscript{223}

George Orwell, writing during the period, describes the wretchedness thus:\textsuperscript{224}

\begin{quote}
  The debunking of western civilization had reached its climax and “disillusionment” was immensely widespread. Who now could take it for granted to go through life in the ordinary middle-class way, as a soldier, a clergyman, a stockbroker, an Indian Civil Servant or what not? And how many of the values by which our grandfathers lived could now be taken seriously?
\end{quote}

\textsuperscript{222}Ibid 2.

\textsuperscript{223}Ashford 233.

This was the Britain that Friedrich Hayek encountered when he arrived from Austria in 1931 after being invited to teach economics at the LSE by Lionel Robbins, head of the department at the time. The invitation had been recommended by LSE director William Beveridge, who was 10 years later appointed to chair a civil service inquiry into the management of the social services in Britain. His report in 1942, known as the Beveridge Report, set out the principles which were to guide the formal establishment of the welfare state after the war. He recommended a national health service, social insurance and assistance, family allowances and full-employment policies.

In May 1931, the failure of a bank in Hayek’s native Vienna and a subsequent suspension of gold payments created a crisis of confidence in Germany and a run on the Reichsbank, the effects of which spread to Britain. The Labour government, already in dire straits and badly needing to restore confidence in the country and its currency, soon found itself in a confrontation over the country’s system of unemployment insurance. There was intense pressure for a reduction in the benefits being paid and an impasse developed. This was eventually “resolved” by the collapse of the Labour government that had been elected in 1929 with Ramsay MacDonald as leader, a position he kept, however, by becoming prime minister of the coalition National Government formed after the election of 1931 to deal with the critical situation.

Beveridge had entered the civil service as a member of Winston Churchill’s team at the Board of Trade in 1908. According to Derek Fraser, The Evolution of the British Welfare State (1984) 170, Churchill had met the young economist through the founders of the Fabian Society, Sidney and Beatrice Webb, and relied on Beveridge to work out the details of an unemployment insurance scheme. This was to become the National Insurance Act of 1911, covering health and unemployment. It was the kingpin of the social policy of the Liberal government and one of the precursors of the post-World War II welfare state.
Bentley B. Gilbert sees the events of 1931 in these terms:

The fact was that the foreign bankers, led by Morgan's of the United States, dealt in symbols precisely as did the General Council of the Trades Union Congress. In quite the same way they were prisoners of their beliefs and demanded the insurance cuts with the same insistence that the Labour movement resisted them. They saw unemployment insurance as the epitome of government extravagance and the reduction of its cost as a sign of responsible intentions.

... one comes to the conclusion that the Opposition parties deliberately forced the crisis over unemployment insurance, that the Labour administration, by refusing any compromise on this matter, simply connived in its own destruction.226

MacDonald's government was succeeded by a further three national governments, all led by Conservative prime ministers,227 and the Labour Party was finally returned to power under Clement Attlee in 1945.

The divisive nature and arduous circumstances of the 1930s stimulated a climate of fierce public debate in which the wisdom of extensive state intervention in the economy was vigorously contested, with Keynes and Hayek, located at two universities traditionally at odds, becoming the key proponents in a notable exchange. The intellectual struggle over the limits of a society's ability to influence economic events228 was taking place in the United States as well, and what was to become known as the Keynesian position was to win out on both sides of the Atlantic. Hayek, describing the period in a collection just published, saw the years...

227 See Table II.
between 1931 and 1937 as marking the end of one period in the history of economic thought and the beginning of another, very different one.229

The outcome of this intellectual contestation took policy form in both the U.S. and the U.K., and similar policies were implemented in a number of other industrialised countries. The process included Franklin D. Roosevelt's "New Deal" legislation, inaugurated the year he became president in 1933.230 The British version was formally inaugurated on July 5, 1948 with the enactment of several major components of what came to be called the welfare state.231 Inspired by the Beveridge Report, it included such legislation as the National Insurance, National Health Service, Industrial Injuries and National Assistance Acts,232 some of these refashioned from earlier law.

The thinking that reached fruition in the Keynesian welfare state was a long time in the making, arriving towards the end of a protracted process of often piecemeal social reform


230 W. Carl Biven discusses this intellectual struggle in Who Killed John Maynard Keynes? Conflicts in the Evolution of Economic Policy (Homewood, Illinois: Dow Jones-Irwin, 1989). As had been the case in Britain, where the "welfare state" was not created in one decade but evolved, the American version, suggests Arthur Schlesinger Jr., may have started when Alexander Hamilton wrote his reports on public finance, the national bank and manufacturers in the early part of the republic. See "The Welfare State" in the collection The Welfare State: Selected Essays, ed. Charles I. Schottland (New York: Harper Torchbooks, 1967) 118.

231 The term "welfare state" is of recent origin and was first used to describe Britain under Labour after 1945, according to Asa Briggs, "The Welfare State in Historical Perspective," The Welfare State: Selected Essays 25. In an essay ("The Welfare State: Images and Realities" 100) in the same collection, Richard M. Titmuss, who has written extensively on the subject, says the earliest use of the term in Britain was apparently by the Archbishop of Canterbury in a 1941 book, Citizen and Churchman. Titmuss, quoting A.M. Schlesinger Jr., The American as Reformer (Cambridge, Mass: Harvard University Press, 1950) 84, 116-117 says that it only became part of the everyday language of social policy after appearing in the American political arena, where it was used in 1949 by President Hoover. Titmuss says Hoover described the welfare state as "a disguise for the totalitarian state."

over half a century, a process both demand- and supply-driven and involving numerous forces and factors. The publication of the 1942 Beveridge Report was a turning point for social policy and, for many, the 1945-1951 Labour governments which implemented the Beveridge Report are the creators of the welfare state.

According to scholars in the field such as Derek Fraser, the term “welfare state” defies precise analysis, challenging clear-cut dissection and neat historical boundaries. Fraser describes the welfare state in these terms:

The Welfare State represented the social consensus of the British people in the middle of the twentieth century. It owed much to the past, was indeed rooted in the historical process of change which had produced an urban industrial society, yet at the same time was distinctively characterised by the universalism of its own day. The British Welfare State was both an end and a beginning. In guaranteeing all its citizens against Beveridge’s five giants, British society drew on the best of the past for the benefit of the future. The Welfare State was not the product of a spontaneous act of creation in 1948 but the latest stage in a dynamic process of adjustment between individual and society. The British Welfare State was not born—it had evolved.

Indeed, Michael Hill contends, by 1945 opponents of the welfare state were clearly on the losing side, with many key government interventions having already occurred between 1906 and 1939. The Beveridge Report during the war had endorsed this trend and given substance to the widely perceived need for social security. Legislation for family allowances was already in place and the effort to create a national health service had begun.

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233 Fraser 238.
234 Beveridge’s “five giants” were want, disease, ignorance, squalor and idleness.
235 Ibid 239.
In this connection Asa Briggs points out the significance of "landmark legislation" such as Lloyd George's National Insurance Act, passed as early as 1911, which provided health and unemployment insurance to the working population. Briggs, too, suggests that much had happened in the evolution of the welfare state before it acquired its name in the 1940s. He notes that the sources for its inspiration were multiple, socialism being only one.\textsuperscript{237}

An earlier war – the Boer War of 1899-1902 – had, ironically, been another contributing factor in the process which led to the formation of the welfare state, for it publicised the level of deprivation and malnutrition among British recruits. Fraser posits a seeming link between social reform and imperialism.

Public interest in meals for needy children dates back to voluntary efforts in the 1860s, but the real stimulus was the Boer War with its deficient recruits and the consequent moves for national efficiency. In that bizarre way which again and again seemed to link imperialism and social reform (sometimes as allies, sometimes as competitors), it seemed to some that Britain would only be able to sustain its Empire in the future if she ensured that the new generation of children, tomorrow's Imperial Army, was properly nourished.\textsuperscript{238}

The Second World War, too, had been a decisive factor. As Fraser notes, referring to the extensive direction of economic factors by the state that took place, there was the perception that "what was possible in war-time could be practised in peace as well."\textsuperscript{239} The war had unified Britain in common purpose, and this sentiment of universalism would extend into a determination that the postwar period would not simply be a return to the prewar situation. Fraser describes the mood of the times:

\textsuperscript{237} Briggs 25-45.
\textsuperscript{238} Fraser 148.
\textsuperscript{239} Fraser 208.
In social and economic affairs the tragedy of unemployment and the possibilities created by Keynesian policies produced an overwhelming desire to build a better future. Perhaps this was where the majority of the British people and Churchill were out of step: he looked no further than winning the war; they looked beyond it. The most famous of the fruits of reconstruction, the 1942 Beveridge Report, appeared at an early stage, when defeat was certainly unlikely but victory still remote. As Beveridge explained, public interest in reconstruction 'represents simply a refusal to take victory in war as an end in itself; it must be read as a determination to understand and to approve the end beyond victory for which sacrifices are being required.' In short, a people’s war had to produce a people’s peace.  

In Ashford’s view the enthusiastic popular reception of the Beveridge Report in 1942 and the subsequent efforts of the Labour government to redirect the British welfare state gave the postwar transformation an “aura of consensual politics.”

During the war, economists had been looked to for guidance in their capacity as government advisors, fuelling a growing confidence among them. One was Robbins, the LSE professor who had brought Hayek to lecture in the U.K. Robbins, director of the economic section of the cabinet offices during the war, was a leading member, along with Keynes, of the British delegation to the international conference at Bretton Woods in 1944 at which the World Bank and International Monetary Fund were established and international monetary and trade policy were laid out.

241 Ashford 264.
243 Peacock 12. The Bretton Woods Conference in New Hampshire, out of which came the agreement that shaped the international monetary system for 25 years after the Second World War, was attended by 45 non-communist nations. A system of international liquidity and exchange rate management was set up, to be administered by the IMF, making this the first time that a formal “world” agreement had laid down rules for the international monetary system.
Events like these gave momentum to the economics of measurement and quantitative modelling, and brought economists an enhanced status as experts. Indeed, as Mark Blaug observes:

By the end of World War II, econometrics had become the leading growth industry of economics and Keynesian or neo-Keynesian macroeconomics models figure heavily, and indeed increasingly, in the work of econometricians.244

This view of economists as effective practitioners of a societal science converged with the Keynesian position on knowledge, but was anathema in the Hayekian view.

There was, however, another side to the upheaval of the 1930s, argue Stevenson and Cook. The transition brought with it a different kind of society, with new industries, prosperous suburbs and rising living standards, developments that can be seen as marking the beginning of what has become known as consumer society.

It would, of course, be fatuous to suggest that the 1930s were not for many thousands of people a time of great hardship and personal suffering. But beside the picture of the unemployed must be put the other side of the case ... Alongside the pictures of the dole queues and hunger marches must also be placed those of another Britain, of new industries, prosperous suburbs and a rising standard of living. Any attempt to do justice to the condition of Britain in the thirties must give full weight to what J.B. Priestley described in 1934 as the England of:

'... arterial and bypass roads, filling stations and factories that look like exhibition buildings, of giant cinemas and dance-halls and cafés, bungalows with tiny garages, cocktail bars, Woolworths, motor coaches, wireless, hiking, factory girls looking like actresses, greyhound racing and dirt tracks, swimming pools, and everything given away for cigarette coupons.'245

245 Stevenson and Cook 4-5, quoting J.B. Priestley, English Journey (1934) 401.
This, Stevenson and Cook say, is the paradox which lay at the heart of the 1930s – a decade which was dramatically to change the way in which society operated in most industrialised nations, economically, politically and culturally.

... the problem of the unemployed and the distressed areas was only part of the total picture of Britain in the thirties. Economic historians have long recognised that as well as being a period of prolonged depression in the old staple industries, these years can also be seen as the time when a new industrial structure was being established which provided the real basis for the export boom and the rising prosperity of the second half of the twentieth century.246

Priestley, describing a journey through England in the autumn of 1933, characterises the country in the 1930s as “three Englands” – the old, the 19th-century and the new. The old England Priestley defines as Turneresque with its fields and farm buildings, cathedrals, manor houses and inns. The 19th-century England is the industrial England of coal, iron, steel, cotton, wool and railways, with its homelessness and wretchedness – what he refers to as the northern desolation. It makes up the larger part of the Midlands and the North, and “exists everywhere.”247

The third England is, for Priestley, the new post-World War I England:

... belonging far more to the age itself than to this particular island. America, I suppose, was its real birthplace.248

He described it as an England where you needed money but not too much of it, since the country was a “large scale, mass-production job, with cut prices,” and where Jack and Jill for the first time in English history were nearly as good as their master and mistress. These three

246 Stevenson and Cook 5.
248 Ibid 401.
Englands were, asserts Priestley, “variously and fascinatingly mingled in every part of the country” he visited.249

It is in this 1930s setting with its contradictory moments that this study finds important parts of the formative context – context being one of Eyerman and Jamison’s three considerations in structuring their framework, as set out in Chapter 2. If the full context of the development of the social movement under examination is to be understood, however, these economic, material and political conditions cannot be separated from the intellectual conditions which accompanied them. In the next chapter, an attempt is made to round out this context.

249 Ibid 406.
CHAPTER 5

Keynes and Hayek and the Intellectual Milieu from which they Emerge

Cambridge and the LSE: Opposing Camps in Contested Terrain

Keynes (1883-1946) and Hayek (1899-1992) – the “two main disputing economists”\(^{250}\) of their time – had very different notions of how the good society should be created. Both were of an intellectually combative disposition and recognised the decisive juncture represented by the 1930s and 1940s, showing a sense of urgency in their efforts to persuade society of the merits of their respective arguments.

It was while still in Vienna that Hayek, who was meeting a number of the influential economists of the time, had first met Keynes, the man against whose ideas he was to be pitted for the greater part of the 20th century. Their exchanges did not become direct and public until the 1930s, and the two conducted a vigorous private debate in the years leading up to Keynes’s death in 1946,\(^{251}\) a debate which intensified with the closer personal and professional relationship which developed between the two after the LSE’s temporary move to Cambridge for safety reasons during the war.

At the LSE from 1931 to 1950, Hayek was ardent in his position that the assumptions underlying socialism were not only flawed but dangerous in their practical implications for society, an argument which became one of the central motifs of his 60-year œuvre. For him, those intellectuals who argued for large-scale state planning had far too great a faith in the


\(^{251}\) Hayek’s collection of copies of letters to and from Keynes is held at the Hoover Institution archives at Stanford University in Palo Alto, California.
ability of experts to command the forces of society. Hayek urged a humility on intellectuals, charging that a "conceit" was leading them to overestimate their power to comprehend and control societal factors and underestimate the damaging consequences of such pursuits.

The state planning project was always flawed, Hayek argued, because knowledge is always partial, thus constraining the abilities of lay people and experts alike. Thus, Hayek’s target is more than just socialism; it is what he calls constructivist rationalism, the conception that social arrangements can, and should, be designed to fulfil conscious human intentions. It was not one economic system or another which Hayek railed against so much as a certain attitude of mind towards social arrangements, David Miller argues. For Hayek, the biggest villains must be those 19th century positivists (Auguste Comte, formulator of the term sociology, is one he singles out) who believed in a complete system of social science which could then be used to organise and fashion society.252

In arguing his position, Hayek crossed disciplinary boundaries, straddling political economy, law, philosophy, psychology, biology, the sociology of knowledge and epistemology. Much of his interdisciplinary argumentation rejected scientism and exercised the theme that the methods of the natural sciences had been inappropriately adapted to social phenomena. He linked this theme to another, that of the spontaneous order flowing from human interaction rather than design.

In sharp contrast, Keynes saw the possibility of a society ordered by competent people with the appropriate wisdom and acting in good faith, where economic theory would be capable of

providing practical policy, an attitude evident in the Keynes quotation which, juxtaposed with one from Hayek, begins Part Two.

1. Hayek: His Position

i) Hayek’s Austrian Beginnings

Hayek did not start his intellectual life at the University of Vienna in the 1920s as the liberal he was when he arrived in London in 1931, but rather as what he calls a moderate Fabian socialist. His “conversion” to the kind of market-based thinking which falls under the umbrella term “Austrian economics” took place under Mises after Hayek had graduated with two doctorates from the university, one in law and the other in political science (he would later add another, in economics, while at the LSE). Indeed, even on being persuaded of the merits of Mises’ position, Hayek’s conversion was neither immediate nor complete. According to Brian McCormick, Hayek’s initial reaction was even somewhat hostile.

He was convinced that the book [Mises’ book on socialism] was an exaggerated polemic. And although he could accept some of his conclusions, he could not accept his underlying reasoning.  

Hayek made an admission along these lines in response to a question put to him by those associated with a film entitled “Inside the Hayek Equation,” while acknowledging, nevertheless, that Mises’ book on socialism was decisive to his conversion. Saying that he had turned to economics because he was “half a socialist” and “crying for social justice,” it was, he

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said, Mises’ book that “cured” him of the view that socialism could alleviate that which had brought him to the position in the first place, adding:

However, I must say while Mises was absolutely convincing in his conclusions, I never found his argument perfectly satisfactory.255

In the foreword to a republishing of Mises’ Socialism: An Economic and Sociological Analysis (1981), Hayek wrote that in reflecting on Mises’ argument after so long a period he was surprised at:

... how many of its arguments, which I initially had only half accepted or regarded as exaggerated and one-sided, have since proved remarkably true.

He adds, however that he still did not agree with all of it.256

Mises’ argument that socialism was not feasible because the calculations required were impossible was first put in an article in 1920 and then incorporated two years later into his widely read and vigorously debated book Socialism (1922), a work that was to win Hayek257 to a position that he would develop and defend over the rest of his long academic career.

When Socialism first appeared in 1922, its impact was profound. It gradually but fundamentally altered the outlook of many of the young idealists returning to their university studies after World War I. I know, for I was one of them.

We felt that the civilization in which we had grown up had collapsed. We were determined to build a better world, and it was this desire to reconstruct society that led many of us to the study of economics. Socialism promised to fulfill our hopes for a more rational, more just world. And then came this book. Our

255 From the text of the film “Inside the Hayek Equation: An Interview with Friedrich von Hayek,” World Research Inc., 1979, a copy of which is included with his papers lodged at the Hoover Institution at Stanford University.


hopes were dashed. Socialism told us that we had been looking for improvement in the wrong direction.  

His rebirth as a believer in the benefits to be had from the institution of the market was not without pain, according to Hayek, who says a number of his contemporaries went through the same experience, including fellow Mont Pèlerin Society members Wilhelm Röpke and Lionel Robbins.

It was not easy. Professor Mises’ teaching seemed directed against all we had been brought up to believe. It was a time when all the fashionable intellectual arguments seemed to point to socialism and when nearly all ‘good men’ among the intellectuals were socialists.

... Socialism shocked our generation, and only slowly and painfully did we become persuaded of its central thesis.

Hayek notes the resistance Mises encountered from his contemporaries:

Reception of the book by the profession was mostly indifferent or hostile ... The tactics of his opponents were generally to represent him as an extremist whose views no one else shared.

In light of Mises’ calling into question of the reigning wisdom, Hayek is perplexed that Mises should be labelled a conservative. For Hayek, who is similarly characterised despite his frequent demonstrations of quite a different tendency:

There could not have been anything more revolutionary, more radical than his appeal for reliance on freedom. To me Professor Mises is and remains, above all, a great radical, an intelligent and rational radical but, nonetheless, a radical on the right lines.

259 Hayek in the Socialism foreword, xix.
261 Ibid 139-140.
262 Ibid 134.
Hayek believed Mises might have been better understood if, instead of stressing the impossibility of socialist calculation, he had emphasised that without a market people would not know what to produce, nor how much, nor in what manner.\textsuperscript{263} Hayek perhaps benefits from hindsight in this observation, for in being out of step with the times and not fully understood, he was to suffer the same fate. This estrangement to some extent still prevails where Hayek is concerned, although there has been a far greater move to post- or anti-positivism than was the case when he first put forward his critique of logical positivism some 50 years ago.

According to David Ramsay Steele, the Mises argument shows that the productive capabilities of modern industrial civilisation depend on the existence of a functioning market, and if this is true, the living standards of the mass of people cannot be maintained if the market is abolished. Mises’ position was taken seriously by socialists and economists alike during the 1930s and 40s, he argues, but by the end of the Second World War the tide had turned, only to turn once again when Mises was embraced anew in the 1980s, a decade during which “the volume of references to the Mises argument grew rapidly.”\textsuperscript{264} Of the few economists who continued to champion Mises during the intervening years, Hayek was the most distinguished, says Steele.

These re-appraisals reflected the new groundswell of antisocialist, pro-market opinion, which could trace its lineage by various branches back to Mises. In 1989 there occurred the spectacular events in Eastern Europe which resulted from the indisputable, chronic, and comprehensive failure of Soviet-style socialism. The well-known Polish economist Wlodzimierz Brus,

\textsuperscript{263} Hayek, \textit{Hayek on Hayek} 146.
\textsuperscript{264} David Ramsay Steele, \textit{From Marx to Mises: Post-Capitalist Society and the Challenge of Economic Calculation} (La Salle, Illinois: Open Court, 1992) 3. Steele compares Marx and Mises, saying both “combined erudition with a combative, frequently vituperative style of presentation.”
whose earlier writings had been thoroughly socialist, stated that “the Mises/Hayek type of charge against orthodox socialism” had “prove[d] correct” (Brus and Laski 1989, 151) ... In 1990 the economist, socialist sympathizer, and popular writer, Robert L. Heilbroner, who had earlier dismissed the Mises argument (Heilbroner 1970, 87-90) candidly proclaimed his conversion with the words: “It turns out, of course, that Mises was right.” (Heilbroner 1990, 92)

It was in this Austrian School position stressing the subjective nature of economic values that Hayek saw the potential for a new paradigm explaining structures arising without design through human interaction, a notion that was to influence much of his work, whether in economics, law or the nature and theory of knowledge. Hayek, John Gray argues, developed as well as followed the Austrian School position.

He has deepened and refined the Austrian subjective theory of value – the theory that value is conferred on resources by the subjective preferences of agents and cannot be explained as an inherent property of any asset or resource. It was this profound insight which spelt the end of classical economic theory, encompassing Ricardo, J.S. Mill and Marx, in which value was analysed in objective terms as deriving from the labour content of the asset or resource under consideration.

Hayek, in his essay “The Austrian School of Economics,” says there was little interest in economics in Vienna before the work of Carl Menger was published, and that the rapid rise of a distinct Austrian School of economic theory was entirely owing to Menger’s work. He notes that this coincided with the University of Vienna’s rise to prominence in a number of other fields as well, making it an intellectual centre of great influence for half a century. However, Menger’s work, argues Hayek, may not have found the wide audience and appeal that it did

265 Steele 3. The Heilbroner quotation comes from an article “Reflections (After Communism)” in The New Yorker (Sept. 10, 1990) 92, where Heilbroner reflects on the debates after the collapse of communism. He reviews the arguments put forward in the 1930s when he was studying economics, one of which was that of Mises, who had argued that no central planning board could ever gather the huge amount of information needed to create a workable economic system.

Menger, a professor of political economy at the University of Vienna from the 1870s to the 1900s, countered the reigning wisdom of classical economics with a theory of subjective value based on a principle of marginal utility. His *Grundsätze der Volkswirtschaftslehre* (Principles of Economics) published in 1871 dispelled the notion that the value of a thing is an objective measure intrinsic to the good itself. After Menger, a different view was possible.

Economic goods were now seen to be valued subjectively in terms of the satisfaction that the user expects to derive from their incremental use.

From its inception, controversy was a part of the tradition of the Austrian School. It was a defining tendency that its practitioners would evoke the ire of the ruling intellectual elite by challenging the conventional wisdom and then adopt a combative manner rather than shy away from the response their work had summoned. This was true for Menger, Mises and Hayek. Menger aroused the establishment’s displeasure with his second substantial work, published in 1883, *Untersuchungen über die Methode der Sozialwissenschaften und der politischen* 

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267 Hayek, “Carl Menger (1840-1921),” *The Fortunes of Liberalism* 75.
268 Hayek, “The Austrian School of Economics,” *The Fortunes of Liberalism* 45-46. McCormick 38 has a discussion of these pupil/teacher relationships.
269 Hayek does note, however, that marginal utility was the “independent and practically simultaneous discovery” of Menger, William Stanley Jevons and Léon Walras. Hayek, “Carl Menger (1840-1921)” 62.
271 A characteristic of many of the Continental scholars who moved to academic institutions like the LSE, and into the British intellectual milieu from the 1930s. It was perhaps a style more common to the times, too.
Okonomie insbesondere (Investigations into the Method of the Social Sciences, initially titled Problems of Economics and Sociology). Hayek describes the interchange.

The direct attack on what was the only approved doctrine attracted immediate attention and provoked, among other hostile reviews, a magisterial rebuke from Gustav Schmoller, the head of the school – a rebuke couched in a tone more than usually offensive. Menger accepted the challenge and replied in a passionate pamphlet, Irrthümer des Historismus in der deutschen Nationalökonomie, written in the form of letters to a friend, in which he ruthlessly demolished Schmoller’s position.272

Writing about Menger’s controversial work, Hayek claimed that Menger:

... undertook to vindicate the importance of theory in the social sciences. This was an effort that seemed necessary to him in view of the complete indifference or even hostility which most of his German colleagues, influenced by the antitheoretical attitude of the historical school in economics, had shown towards his attempt in the Principles273 to reconstruct economic theory.274

Hayek argues that to understand the aims of this work and the nature of the controversy it fuelled – which was in a sense the beginning of the Austrian School – it is necessary to appreciate the character of the school against which it was directed. The school, he asserts:

... was not interested in history as the study of unique events but regarded historical study as the empirical approach to an eventual theoretical explanation of social institutions. Through the study of historical development it hoped to arrive at the laws of development of social wholes, from which, in turn, could be deduced the historical necessities governing each phase of development. This was the sort of positivist-empiricist approach which was later adopted by the American institutionalists (differing from similar, more recent efforts only

272 Hayek, “Carl Menger (1840-1921)” 80.
273 Referring to Menger’s Grundsätze der Volkswirtschaftslehre (1871), a book which marked the beginning of the school, according to the editor of one of the volumes of F.A. Hayek’s Collected Works. Klein, The Fortunes of Liberalism 2. Hayek (The Fortunes of Liberalism 105) notes that it took 80 years until it was made available in an English version.
in that it made little use of statistical technique), and which is better described (as by Popper) as historicism.

It was against this use of history as a means of discovering empirical laws that Menger undertook to defend what he considered to be the proper function of theory. ... Menger was greatly interested in history and the genesis of institutions, and he was anxious mainly to emphasise the different nature of the task of theory and the task of history proper and to prevent a confusion of their methods. The distinction, as he elaborated it, considerably influenced the later work of Rickert and Max Weber.275

Hayek notes that the spreading and development of Menger’s theories was left almost completely to the younger members of the Austrian school, notwithstanding the appearance of an obituary on Carl Menger in 1921 in which it was considered that no book since Ricardo’s Principles had had such a great influence on the development of economics as Menger’s Grundsätze.276

Among the members of those subsequent generations, Hayek and Mises were two who took up the task of developing particular traditions of this thought. They have been called the greatest representatives of the Austrian School in the 20th century.277

The long and close association between Hayek and Mises began in Austria in the 1920s. Mises, who was at the time one of the directors of a new temporary government office, was looking for young lawyers with some understanding of economics, and Hayek fitted that bill.

On returning from postgraduate work in the U.S. in 1924,278 Hayek began attending a

275 Ibid 78.
276 Ibid 105.
278 Hayek was not immediately impressed by this experience. “I must confess that from my predominantly theoretical interest the first impression of American economics was disappointing,” Hayek said in one of five lectures delivered at the University of Chicago in October 1963. Quoted in “The Economics of the 1920s as seen from Vienna,” The Fortunes of Liberalism 35.
biweekly seminar given by Mises in the evenings at his office at the Chamber of Commerce (referred to by the circle as the Mises seminar). These sessions, which began in 1920 and ended when Mises left Vienna in 1934, were, according to Hayek, at least as much the centre of economic discussion as the university from the mid-1920s to the early 1930s.

From 1927 until 1931 the two also worked together for the Austrian Institute for Economic Research, an institute studying business cycles and economic policy which they had started together, Mises as vice-president and Hayek as director.

In addition to his work in the institute, Hayek taught economics from 1929 to 1931 at the University of Vienna, which at the time was one of the three most prestigious places in the world to study economics, next to Stockholm and Cambridge.

Hayek’s time as a colleague of Mises’ was an important period for him. He would refer to Mises as the man to whom he owed the most intellectually, although Mises was never his teacher in an institutional sense as von Wieser had been, for example. Margit von Mises refers to Hayek as the most illustrious among her husband’s many distinguished students.

Apart from their disputatious intellectual style, there appears also to have been an affinity between Hayek and Mises in that they took a panoramic view of the study of economics,

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281 Hayek, The Fortunes of Liberalism 3.
282 This was said in a Ludwig von Mises memorial lecture entitled “Coping with Ignorance,” given at Hillsdale College in Michigan and quoted in Knowledge, Evolution and Society (London: Adam Smith Institute, 1983) 17.
linking their ideas to a wider theoretical prospect. This interdisciplinary attitude had been encouraged at the University of Vienna where, Hayek says, one was not expected to confine oneself to one’s own subject.

Reflecting on Mises’ status as an outsider in the academic world despite being, in Hayek’s view, one of the most important economists of his generation, Hayek suggests that his challenges to those in power and the manner in which he tended to defend his position were important contributing factors. Contrary to the usual explanation that Mises’ lack of success in the formal academic world was a result of anti-Semitism, Hayek believed the causes for this were more complex. He believed that Mises’ conviction that socialist aspirations were based on intellectual confusion had become so strong that his attempts to develop social theory and his defence of a libertarian political order often became inextricably intertwined.

His tendency, particularly in his younger years, to defend his position with stubbornness and intransigence made him many enemies. This was largely the reason he never obtained a regular university position in Vienna and why many academicians treated even his purely theoretical works as ideologically suspect for so long.

The other important reason Hayek gives is:

The Faculty of Law, at which economics was taught, had a considerable number of highly respected Jewish professors, and others, such as Hans Kelsen, were still being appointed at the time. But to make such an appointment, it was necessary that the candidate have the approval of the Jewish community, which was predominantly inclined to the Left. By that time, however, Mises, by his criticism of the socialist programme, had made himself highly unpopular with the majority of the group. It

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284 Steele xv.
285 Hayek, Hayek on Hayek 51.
was chiefly this which prevented his appointment to a full professorship.287

Hayek also saw Mises' very different intellectual approach as an important factor. According to Hayek, Mises realised that to convince his opponents he would have to impress on them the need for an altogether different methodology. To do this became his central concern, he says.

Both Hayek and Mises left Austria in the 1930s. Hayek went to teach at the LSE and three years later Mises left Austria, taking up a professorship at the Graduate Institute of International Studies at the University of Geneva, Switzerland. By the end of the decade, however, the threat of Hitler had prompted Mises' departure for the United States.288 He moved to New York City, where soon a second Mises seminar was being held, this time at New York University. This was an important influence for another generation of students within the growing movement for a market-based social order.289

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288 According to Hayek, the U.S. intellectual community was initially unsympathetic to Mises as such an outspoken opponent of all socialist thought, “but he gradually rose from a kind of honorary position at the Graduate School of Business at New York University to a highly influential one.” For many years the term Austrian School in the U.S. was synonymous with Mises' disciples, the first pupils to find themselves highly respected being Murray Rothbard and Israel Kirzner. Hayek has noted that in the 1970s and 1980s the group expanded significantly, with the most representative work at the time (1992) probably being done by Thomas Sowell. Mises' salary at NYU was paid entirely by the private William Volker Fund from 1949 until 1969 and then by a group headed by Lawrence Fertig. The Volker Fund also subsidised Hayek's post with the Committee on Social Thought at the University of Chicago. Hayek, “The Austrian School of Economics,” The Fortunes of Liberalism 54-55.
289 Ralph Raico, Classical Liberalism in the Twentieth Century (Fairfax, Virginia: The Institute for Humane Studies, undated) 9.
ii) Hayek at the LSE, 1931-1950, and his Academic Evolution

Like Cambridge, the London School of Economics,\(^{290}\) situated in central London, had a number of intellectuals of repute\(^{291}\) and the two institutions were keen rivals. Indeed, according to B.J. McCormick, the LSE had been established in 1895 by Sidney Webb to act as a counterweight to the monopoly which Cambridge held through Marshallian economics.\(^{292}\)

Hayek’s move to London at the invitation of Robbins was for the purpose of giving a series of lectures at the LSE, a centre of intellectual ferment in the 1930s, and it was these lectures that attracted attention to him and contributed to his permanent appointment when he received an invitation from LSE director Beveridge to take a chair as Tooke Professor of Economics, Science and Statistics in the same year that he arrived. The lectures later became the published work Prices and Production (1931), which marked Hayek’s entry into the economic debate in the English language. Robbins, too, was a central figure in 20th century economics and, according to Hayek, was important in the spreading of the Austrian tradition.

From the beginning of the 1930s this Vienna group began to receive decisive support and an extension of its literary sources

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\(^{290}\) Ralf Dahrendorf is producing a history of the LSE to mark its centenary in 1995. The school, founded in the 1890s by the Fabians (Beloff 1968; Caine 1969; Coser 1965:171-180; MacKenzie and MacKenzie 1977; Pease 1963; Robbins 1971), was in the 1930s the home of the most notable group of British classical liberals, whose influence extended beyond British borders. In addition, according to Shils (1972:136), the LSE in the 1930s was “at the height of its reputation as a fountain of radical criticism of British life and institutions as well as a mine of scholarship.” The Fabians were a socialist grouping that included well-known figures such as Sidney and Beatrice Webb and George Bernard Shaw.

\(^{291}\) According to Michael Hudson, not only were Keynes and Hayek engaged in an enduring disagreement, but similarly, there was an antagonism between the LSE and the Cambridge School. Michael Hudson, “Keynes, Hayek and the Monetary Economy,” J.M. Keynes in Retrospect, ed. John Hillard (Aldershot, England: Edward Elgar, 1988) 172.

\(^{292}\) B.J. McCormick, Hayek and the Keynesian Avalanche (Hemel Hempstead, Hertfordshire: Harvester Wheatsheaf, 1992) 11. He quotes Sydney Webb saying of the first LSE director, W.S. Hewins, on a visit to the LSE in 1932 that “he was not a theoretic economic historian, he was not a Cambridge orthodox person.” This reference would be to economists influenced by the economics of Alfred Marshall.
when Lionel C. Robbins, as the newly appointed professor at the London School of Economics, espoused what had till then been an almost exclusively Austrian tradition.293

Hayek says that Robbins’s efforts to secure an appointment for Hayek at the LSE, one result of which was the joint Robbins-Hayek seminar in the 1930s, developed an intellectual centre for Austrian School ideas outside of Vienna.294 In addition, notes Hayek, Robbins’s work The Nature and Significance of Economic Science (1932) made what had been the methodological approach to microeconomic theory established by the Austrian School the generally recognised standard.295 Robbins was an important ally for Hayek, not least among the reasons being that he dominated economics at the LSE in the 1930s.296

According to Alan Peacock, Robbins, like Hayek, had been initially attracted to a form of socialism, but after a year of close association with socialists had become disenchanted with the movement, becoming convinced that a system of markets would serve both efficiency and personal liberty better than collective ownership and centralised direction.297

Robert Skidelsky, discussing Hayek’s appointment and the battle between Keynes and Hayek, to whom he refers as “the most intransigent defender of the non-interventionist order,” comments:

293 Hayek, “The Austrian School of Economics” 53.
294 Two further new sources which were to exert considerable influence on the development of the Austrian tradition were, according to Hayek, Philip Henry Wicksteed’s The Common Sense of Political Economy (London: Macmillan, 1910; second edition, edited by Lionel Robbins, London: Routledge & Kegan Paul, 1933) and Chicago’s Frank H. Knight’s Risk, Uncertainty and Profit (Boston: Houghton Mifflin, 1921). Hayek notes contributions from J.R. Hicks (1934 and 1939) and J. M. Buchanan and G.F. Thirlby (1973).
295 Hayek, “The Austrian School of Economics” 53.
296 McCormick 35.
297 Greenway and Presley 11.
Whether, when he accepted the London appointment, the courteous Hayek realised that his function was to be the LSE’s chief weapon in a power struggle with Cambridge is unclear.\footnote{Robert Skidelsky, John Maynard Keynes: The Economist as Saviour 1920-1937 (London, Macmillan, 1992) 456.}

From the time that Hayek reviewed Keynes’s \textit{Treatise on Money} (1930) – a review to which Keynes took offence – the Hayekians at the LSE and the Keynesians at Cambridge were to do battle in the economic journals. Hayek never did review Keynes’s principal work, \textit{The General Theory of Employment, Interest and Money} (1936), confessing later that not having done so was his greatest intellectual regret for those years. He would later say that the omission arose out of his fear of a repeat of an earlier experience in which he had spent a considerable time reviewing \textit{Treatise on Money} only to hear that Keynes had changed his position. Hayek did venture, however, that Keynes’s whole analysis was “based on a crucial error.”

Hayek simultaneously committed himself to both the political and intellectual projects of arguing for a market-based social order, an enterprise which engaged him for over half a century. He had, since his conversion to Austrian economics, set store by market processes and by the market as a discovery procedure and communication mechanism, and over his lifetime he developed ideas associated with this position, especially in relation to theories of knowledge.

An important reason for Hayek’s position was his thinking on knowledge – its uses, its evolution and its location in, and relation to, society. There are limits to knowledge, which is always partial, and, therefore, to society’s ability to influence and control events, Hayek argued, and given this condition, a market-based economic system held society’s best hope.
In this position Hayek was buttressed by fellow Austrian and LSE colleague Karl Popper who, before he came to teach at the LSE, had given a paper in Hayek’s seminar there on “The Poverty of Historicism” ahead of his book of the same title.\textsuperscript{299} A letter among Hayek’s papers addresses the topic as follows:

I think that we are, quite independently, extremely close in one most important point; the one you called in your Nobel lecture, I think “The Pretence of Knowledge.” That all our knowledge is conjectural, uncertain, insecure, and that we therefore do not really know – but can only conjecture. And that it behoves us intellectuals to be modest.\textsuperscript{300}

In a later interview, Hayek, too, was to point to an affinity with Popper’s position. Discussing the intellectual environment – one which he saw as being dominated by Marxists and Freudians – in which he and Popper formed their ideas, Hayek remarks that they had come to the same conclusion on an important matter, although independently, since they had not known each other at the time. This was the point on which Popper later elaborated and with which he became associated: That the test of empirical science was that it could be refuted, and thus any system which claimed it was irrefutable – Marxism and Freudianism were his examples – was not scientific. Hayek claims that on the whole he agreed more with Popper than with anybody else in philosophical matters.\textsuperscript{301}

According to Peter G. Klein, Hayek first read Popper in the early 1930s, after which Hayek’s interest shifted from the theory of value to the theory of knowledge, the latter of which would...
come to dominate his writing. Klein suggests that Hayek’s critique of central state planning depends in part on the Popperian notion of the unpredictable consequences of a theory, or that this type of planning fails because the full implications of the knowledge already possessed cannot be known in advance.\textsuperscript{302} At the core of both men’s work is the notion that fields of knowledge must be open, whether to refutation in the intellectual field or to new discoveries and processes in the market.

The view of knowledge he shared with Popper was to preoccupy Hayek throughout his public intellectual life, and it was still evident in his last work \textit{The Fatal Conceit} (1988). In a paper presented as part of a lecture series to commemorate Mises, Hayek said:

> I’ve come to believe that both the aim of the market order, and therefore the object of explanation of the theory of it, is to cope with the inevitable ignorance of everybody of most of the particular facts which determine this order. By a process which men did not understand, their activities have produced an order much more extensive and comprehensive than anything they could have comprehended, but on the functioning of which we have become utterly dependent.\textsuperscript{303}

For Gray, the well-spring of all Hayek’s work – be it in social philosophy or economics – is a conception of human knowledge, which he argues, can be understood as a sceptical variant of Kantianism, according to which one cannot step outside of categories to attain a transcendental point of view.

For Hayek, as for Kant, philosophy is reflexive and critical rather than transcendental or constructive: it plots the limits of the human understanding but cannot hope to govern it.

Hayek’s sceptical Kantianism has features, however, which take it far from anything that Kant could have accepted and


\textsuperscript{303} Hayek, “Coping with Ignorance” reprinted in \textit{Knowledge, Evolution and Society} (London: Adam Smith Institute, 1983) 19.
which give it a wholly distinctive turn. The organizing categories of the human mind are, for Hayek, neither immutable nor universal; rather they express evolutionary adaptations to a world that is in itself unknowable.\textsuperscript{304}

This position, again, has resonances with those of many contemporary thinkers.

The assumption that knowledge is always partial and incomplete gave rise to Hayek's argument that there should therefore be in all doubtful cases a presumption against interference,\textsuperscript{305} as it informed his plea for intellectual humility to the LSE Student Union in 1944 while the LSE was lodged at Cambridge during the war.

Though I am verging dangerously on preaching, let me nevertheless implore you to make a determined effort to achieve that intellectual humility which alone helps one to learn. Nothing is more pernicious to intellectual honesty than pride in not having changed one's opinions -- particularly if, as is usually the case in our field, these are opinions which in the circles in which we move are regarded as "progressive" or "advanced" or just modern. You will soon enough discover that what you regard as specially advanced opinions are just the opinions dominant in your particular generation and that it requires much greater strength and independence of mind to take a critical view of what you have been taught to be progressive than merely to accept them.\textsuperscript{306}

Hayek's rejection in the 1940s of an objectivist, reductionist science, what he referred to as scientism, was delivered in the prime of positivist thinking, which lasted at least until the 1960s. As one of the first critiques of this sort in the English-speaking world, it was bound to be ignored, argues G.B. Madison, who stresses that Hayek's attack on scientism was not intended as an attack on science itself.\textsuperscript{307} Indeed, Hayek believed this imitation of the physical sciences by the human sciences to be itself unscientific, since it involved an uncritical,

\textsuperscript{306} Hayek, "On Being an Economist," The Trend of Economic Thinking 41.
mechanical application of attitudes to fields very different from those in which they had been
developed, Madison remarks. For Hayek, human understanding was interpretive and selective.
The Cartesian-positivist notion – that the mind is a mirror of nature and thus, with the right
method, the totality of reality can be represented to oneself in an objective fashion – was an
illusion. Madison explains Hayek’s conception of social science in terms of a recognition that
the object of the social scientist is not given, but rather must be painstakingly reconstructed by
means of an interpretation of the meaningful behaviour of individuals, a position which
resonates with later thinking from a number of quarters.

It was while still in Vienna that Hayek had begun to see positivism in the social sciences as
misleading, but it was only in London that he began to think systematically about problems of
methodology in the social sciences, deepening his scepticism about positivism.308

For Hayek all knowledge is subjective. It has to be discovered, and different people may
discover different things or put different interpretations on what they discover, Butler
explains. In addition, the subjective experiences of individuals living in a cosmopolitan world
differ considerably, Hayek argues, and thus trade and exchange is productive. This diversity of
purpose, Hayek asserts, leads paradoxically to a greater ability on the part of people to master
more information, as well as to a greater power to satisfy needs generally, than does
homogeneity and control.309

308 Hayek, Hayek on Hayek 50.
Interpreting Hayek's position, Butler argues:

In the market order, the knowledge which people have is personal and widely dispersed. People like the estate agent or the currency dealer have very particular knowledge of the moment, and each manufacturer has special knowledge which he has acquired but which is known only partially to his competitors. It is this kind of individual knowledge which the market process, and the price mechanism, helps to coordinate into a system of economic relations, but it is knowledge which could never be completely known to any socialist planner.\footnote{Butler 56.}

Hayek sees the market in epistemological terms, viewing competition as an activity and a procedure which encourages the discovery of different tastes and preferences which individuals in the market order possess, and of the numerous mixes of inputs which enable these demands to be met at the lowest price. This view he based on his perception of the market's communicative abilities. As the facts of economic life continually change so, too, will the solutions which the competitive process suggests to the different producers.\footnote{Butler 54.}

Hayek, in an earlier essay published first in 1945, "The Use of Knowledge in Society," argues that the prevailing disputes over economic theory and policy have their origin in a misconception about the nature of the economic problems of society, which in turn is due to:

... an erroneous transfer to social phenomena of the habits of thought we have developed in dealing with the phenomena of nature.\footnote{Hayek, "The Use of Knowledge in Society," The American Economic Review, 35:4 (1945), revised and abbreviated by the Institute for Humane Studies, Inc., Menlo Park, California 5.}

Hayek argues that rational economic orders are constructed in answer to a problem which cannot be solved, for the "data" for the whole society are never "given" to a single mind.

The peculiar character of the problem of a rational economic order is determined precisely by the fact that the
knowledge of the circumstances which we must use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate "given" resources — if "given" is taken to mean given to a single mind which deliberately solves the problem set by these "data." It is rather a problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know. Or, to put it briefly, it is a problem of the utilization of knowledge which is not given to anyone in its totality.313

Hayek, mindful that he could be misinterpreted as someone who refuses to see that planning is a part of all complex decisions about the allocation of resources, argues that, indeed, while this is the case, and all economic activity is in this sense planning based on knowledge, no matter who does it, it is the question of who is to do the planning that is important.

This is not a dispute about whether planning is to be done or not. It is a dispute as to whether planning is to be done centrally, by one authority for the whole economic system, or is to be divided among many individuals. Planning in the specific sense in which the term is used in contemporary controversy necessarily means central planning — direction of the whole economic system according to one unified plan. Competition, on the other hand, means decentralized planning by many separate persons. The halfway house between the two, about which many people talk but few like when they see it, is the delegation of planning to privileged industries, or in other words, monopolies.314

The recurrent motif of the importance of the market to the process of discovery also appears in Hayek's seminal work, The Constitution of Liberty (1960). According to Brittan, this work contains similarities to the ideas of John Stuart Mill — whom Brittan sees as the classical exponent of negative freedom — in its notion of freedom as a means of achieving other ends, such as discovering truths and encouraging independence of character and variety of lifestyles.

313 Hayek, "The Use of Knowledge in Society" 5 -6.
314 Ibid 6-7.
Great stress is laid on men’s ignorance of the factors on which the achievement of their ends depends and on the danger of the state enforcing one path or blocking others. Hayek’s argument is dependent on the case for progress, especially progress in the discovery of new knowledge. He does not say that progress leads to a better or happier state of affairs. Since human wants change in the process he doubts whether the question is a meaningful one. What matters, he believes, is successful or hopeful striving.\(^{315}\)

While Hayek can see that the results of progress might affect people differently, he never directly calls progress itself into question, as is increasingly the case in some contemporary work, both theoretical and popular, influenced by the critique of the Enlightenment project from, among others, the post-modern position, or certain environmentalist positions. So while he argues that ...

Progress in the sense of the cumulative growth of knowledge and power over nature is a term that says little about whether the new state will give us more satisfaction than the old.\(^{316}\)

... he nevertheless does not problematise progress, believing that:

What matters is the successful striving for what at each moment seems attainable. It is not the fruits of past success but the living in and for the future in which human intelligence proves itself. Progress is movement for movement’s sake, for it is in the process of learning, and in the effects of having learned something new, that man enjoys the gift of his intelligence.\(^{317}\)

Further, Hayek argues that:

The enjoyment of personal success will be given to large numbers only in a society that, as a whole, progresses fairly rapidly.\(^{318}\)


\(^{317}\) Ibid 41.

\(^{318}\) Ibid 41.
The leitmotiv of the importance of the market to discovery is again evident in Hayek's last work, *The Fatal Conceit*, as is the tireless will to do intellectual battle with those who hold a different position, such as the socialists, whose ideas he has contested either as an imaginary audience – in works such as the *Road to Serfdom*, published in 1944 – or as a potential foil for this position, as in his work published 44 years later, *The Fatal Conceit*.

According to W.W. Bartley, the editor of Hayek's collected works, the *Fatal Conceit* flows from Hayek's desire for a showdown with his intellectual opponents of half a century.

In 1978, at the age of nearly eighty, and after a lifetime of doing battle with socialism in its many manifestations, Hayek wanted to have a showdown. He conceived of a grand formal debate, probably to be held in Paris, in which the leading theorists of socialism would face the leading intellectual advocates of the market order. They would address the question: 'Was Socialism a Mistake?' The advocates of the market order would argue that socialism was – and always had been – thoroughly mistaken on scientific and factual, even logical grounds, and that its repeated failures, in the many different practical applications of socialist ideas that this century has witnessed, were, on the whole, the direct outcome of these scientific errors.

The idea of the debate had to be set aside for practical reasons, and instead Hayek set down his position in written form, says Bartley. The unifying ideas of the Hayek canon are again evident in *The Fatal Conceit*. Hayek argues:

> For there is no known way, other than by the distribution of products in a competitive market, to inform individuals in what direction their several efforts must aim so as to contribute as much as possible to the total product.

> The main point of my argument is, then, that the conflict between, on one hand, advocates of the spontaneous extended human order created by a competitive market, and on the other hand those who demand a deliberate arrangement of human interaction by central authority based on collective command

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319 All of the planned 22 volumes of the collected works will be available from mid-1994.
320 Hayek, *The Fatal Conceit* x.
over available resources, is due to a factual error by the latter about how knowledge of these resources is and can be generated and utilised. As a question of fact, this conflict must be settled by scientific study. Such study shows that, by following the spontaneously generated moral traditions underlying the competitive market order (traditions which do not satisfy the canons or norms of rationality embraced by most socialists), we generate and garner greater knowledge and wealth than could ever be obtained or utilised in a centrally-directed economy whose adherents claim to proceed strictly in accordance with 'reason.' Thus socialist aims and programmes are factually impossible to achieve or execute; and they also happen, into the bargain as it were, to be logically impossible.321

He stresses that his argument is not with the approach of reason itself, where it is “properly used.”

Although I attack the presumption of reason on the part of socialists, my argument is in no way directed against reason properly used. By ‘reason properly used’ I mean reason that recognises its own limitations and, itself taught by reason, faces the implications of the astonishing fact, revealed by economics and biology, that order generated without design can far outstrip plans men consciously contrive.322

It was this pro-market approach with an anti-rationalist, anti-central planning and anti-social engineering position which Hayek vigorously pursued from the LSE, as both scholar and mobiliser, engaging in polemic and argument with all-comers, intervening both politically and intellectually. The school had been established by the Fabian socialists at the end of the previous century to have public relevance – a mandate which many publicly engaged academics believe it has fulfilled, both nationally and internationally – and it was from this base that Hayek adopted a modus operandi that launched an intellectual campaign, so similar in form but so different in content to the earlier Fabian Society project of winning of consent

321 Ibid 7.
322 Ibid 8.
for the ideas with which they were associated, which was to preoccupy him for the rest of his life.

Hayek left the LSE in 1950 and, following his divorce, moved to the University of Chicago. He had taken up British citizenship in 1938 while living in the U.K., and he held it until his death at age 92 in 1992 despite subsequent moves first to the U.S. and then later to Germany and Austria.

2. Keynes: His position

Keynes was born into a Victorian academic family in 1883, the son of a Cambridge don, John Neville Keynes, himself a lecturer in economics and logic, and Florence Ada Keynes, Cambridge's first woman councillor and eventually mayor. He can be seen as the right man with the right attributes and attitudes at the right time. In a 1925 paper "Am I a Liberal?" from which the quotation at the beginning of Part Two is taken, he urged that new wisdom be invented for a new age, and it could indeed be said that this new wisdom would need to be presented by a personality who fitted the times, if it were not to fall on deaf ears. In Skidelsky's words:

This was to be the attraction of the Keynesian Revolution itself. Like his new American friend, Walter Lippmann, Keynes was moved to wrath not so much by a 'fiery passion for justice and equality', as by 'an impatience with how badly society was managed.' This was the new liberal mood. The twentieth-century claim to rule would be based on competence, not ideals. Ideals were too costly.  

Lippmann and his book *An Inquiry into the Principles of the Good Society* inspired the opposing group too – those campaigning against the Keynesian interventionist state. Indeed, the gathering seen as the forerunner of the Mont Pèlerin took place in Paris in 1938 and was named after Lippmann.

Skidelsky notes that the effect of *The Economic Consequences of the Peace* was paradoxical, for it made Keynes a hero of the left, to which, Skidelsky asserts, referring to Kingsley Martin’s remark, “he never belonged.” He was, says Skidelsky, never an egalitarian.\(^{325}\) It was this appeal with the left that contributed in part to what became known as the Keynesian consensus.

Henceforth the intelligentsia of the left always listened with one ear to what Keynes was saying. The Labour Party emerged from the war as the Conservative Party’s main challenger for power. Keynes’s ability to speak to both sides of the political divide from a position in the centre was to be crucial to the making of the Keynesian Revolution.\(^{326}\)

This “Keynesian Revolution,” Skidelsky points out, was far more than a mere economic revolution. It was to lead to a continuing revolution in government, changing not only the makeup of the civil service but attitudes towards this elite in relation to government and the wider society.

The Keynesian Revolution has been so exclusively presented as a revolution in economic theory that it is easy to forget that it was part of a continuing revolution in government, a return to the medieval practice of involving the clergy in the affairs of state. As a result of the increasing absorption of academics into government service, political and intellectual authority started to merge. The growing use of experts in government was a response both to the ‘fear of the masses’ and to the greater complexity of governing an urban, industrial society. But it also

\(^{325}\) Ibid 8.  
\(^{326}\) Ibid 3–4.
reflected the demand of bright university men for new careers to replace the reduced attraction of the priestly and imperial calling.\textsuperscript{327}

Norman Barry points to what he sees as a “strong paternalistic streak in Keynesianism” which he says was summed up by the expression “The Harvey Road mentality,” a reference to Keynes’s family home at Cambridge.

Successful government required that the right men with the latest ‘knowledge’ should be in power; unrestrained by archaic rules, such as the Gold Standard, a balanced-budget rule, or a written constitution. It was in many ways entirely inappropriate for the democratic age, in which politicians are compelled to respond to the demands of pressure groups and electoral politics. There was an implicit assumption that intellectuals could mould public opinion and even that the masses could be fooled.\textsuperscript{328}

A change in the intellectual climate following the First World War was to continue along with the attitude that it was government that was to be looked to for solutions rather than the market and private enterprise. Indeed, asserts Skidelsky:

\textldots contempt for the businessman’s capacity became a fixed point with the new clerisy. From this perspective the Keynesian Revolution in economics is a key episode in the takeover of the governing function, as well as the agenda of government, by the universities.\textsuperscript{329}

To the factors already mentioned, Skidelsky thus adds as an important development the growth of the social sciences and the parallel emergence of an activist intelligentsia, demanding, on the basis of their superior intellectual ability and expert knowledge of society, the powers previously held by the aristocracy and clergy.

\textsuperscript{327} Ibid 23.
\textsuperscript{328} Norman P. Barry, The New Right (Beckenham, Kent: Croom Helm, 1987) 13.
\textsuperscript{329} Skidelsky 24.
The metaphor that powered the spirit of the times was that of the Corbusierian machine representing society, the working of which could be fine-tuned and improved by deliberate action and unintended side effects thus corrected.330

i) Keynes at Cambridge, 1919-1946

After leaving the Treasury in 1919, Keynes had returned to the prestigious Cambridge, Britain's second-oldest university dating back to 1209. Cambridge had been an important location in the development of the academic discipline of economics, which it dominated in the early 20th century,331 and it was here that Keynes catapulted himself into the public spotlight when he delivered his autumn lectures from the proofs of a forthcoming book, The Economic Consequences of the Peace (1919).332

During much of the interwar period Cambridge economics had been in the doldrums, according to Skidelsky, firstly, because of the missing generation as a result of the earlier war, and secondly, because its brightest prewar faculty had moved on. The department was somewhat revived in 1926 with the publication of Dennis Robertson’s Banking Policy and the Price Level and the arrival of Piero Sraffa from Italy (Sraffa, a close friend of Gramsci’s, corresponded with him until his death), but Cambridge economics was not helped out of its

330 Ibid 406.
332 The Economist describes Keynes as the most influential economist of the 20th century in its December 25, 1993-January 7th, 1994 issue in the article, “Good Guru Guide: Take me to your leader” 21-26. It describes Milton Friedman as “probably the greatest economist of the 20th century” in the same article.
slump by Keynes’s enhanced status following the publication of The Economic Consequences of the Peace.

Keynes was engaged in the 1920s with polemics directed against the mistakes of policy makers rather than the theories they held. Nevertheless, this was sufficient to make him influential, in Nico Stehr’s view.

Keynes may have contributed to, or even provoked, the intensity of the discussions, given his own polemical style.  

... one can surmise that the polemical style of Keynes’s writings may have fueled the public attention they found in many countries.

This focus on the mistakes of policy makers began to change after Britain’s unsuccessful return to the gold standard from 1925 to 1931, a period during which Keynes began to see a theoretical side to mistaken policy, and in 1930 he published his first important theoretical work on economics, Treatise on Money. Skidelsky observes that Hayek was one economist who “spotted the revolutionary character of Keynes’s Treatise on Money,” citing the following passage from Hayek’s review of the work:

Mr Keynes’s assertion that there is no automatic mechanism in the economic system to keep the rate of investing equal might with equal justification be extended to the more general contention that there is no automatic mechanism in the economic system to adapt production to any other shift in demand.

334 Stehr 24.
335 Skidelsky 6.
336 Ibid 454.
337 Hayek, writing in the London School of Economics journal Economica 11:34 (November 1931) 401.
This revived interest of Keynes's in theory was to lead to The General Theory, which contained in its preface a text on what Keynes called "difficult questions of theory." It is this book which accounts for the naming of Keynes as the most influential economist of the 20th century by, for example, The Economist.

For Stehr, whose interest lies in the impact which Keynes's thought has had on the 20th century, the way in which he modelled his ideas was an important factor. Prior to Keynes the conventional view in economics was that theories should attempt to mirror the complexity of the world, he contends. With Keynes the analysis does not attempt this.

... the analysis is based on a number of mostly static assumptions which, taken together, indicate that Keynes's theory surely cannot claim anything approaching 'completeness' or 'comprehensiveness' in reflecting the intricate empirical nature of national economic relations.338

For instance, Stehr argues, trade and the external world were not seriously considered. This assumption of isolation, however, must be seen in its context in the aftermath of the depression and the war, when trade had indeed dwindled to low levels. In addition, Keynes's preferred audience was the British Treasury, at which he had worked previously and to which he was long an advisor. The Treasury would be open to theories that could be applied, focusing on variables over which it had control and could, therefore, influence.339

Recognition of his influence came in the form of a peerage in 1942, and Keynes's reputation was further enhanced by his appointment as chief British negotiator in the discussions that led to the establishment in 1944 of the Bretton Woods system of international monetary

338 Stehr 91.
339 These arguments are based on Stehr's book as well as those presented by him in a meeting on Feb. 25, 1994 and March 25, 1994 at his office at the University of British Columbia, where he was a visiting professor.
exchange, of which he was the key architect. He was also chief negotiator on the postwar
U.S. loan to Britain, which was, according to Stewart, granted on terms which jeopardised
Britain’s economic recovery, a fact, he asserts, of which Keynes was “bitterly aware.”340 He
was long an advisor to the British Treasury, a director of the Bank of England, and a director
of several City of London financial institutions.341

Keynes’s ideas, which sprang from the experience of three key moments of the 20th century –
the post-World War One peace settlement, the Great Depression and World War Two –
remain perhaps the most influential set of ideas developed in terms of the impact they were to
have on public policy in the 20th century.

ii) The Keynes/Hayek Struggle: Differences and Some Similarities

Along with Hayek, Keynes believed strongly in the immense power of ideas, as the quotations
at the beginning of Part 1 indicate. This firm accord between the two men who disagreed on
so much is evident in a 1944 address that touches on the idea Hayek would develop in the
1949 quotation referred to. Hayek told the LSE Students’ Union while the school was
temporarily at Cambridge:342

... I agree with Lord Keynes that “the ideas of economists
and political philosophers, both when they are right and when
they are wrong, are more powerful than is commonly
understood. Indeed the world is ruled by little else.” The only
qualification I want to add, and with which Lord Keynes would
probably agree, is that economists have this great influence only
in the long run and only indirectly, and that when their ideas

341 Rupert Pennant-Rea and Bill Emmott, The Pocket Economist (Oxford and London: Martin
Robertson and The Economist, 1983) 103.
342 This essay “On Being an Economist” was an address delivered to the Students’ Union of the LSE
on February 23, 1944, according to W.W. Bartley III and Stephen Kresge, the editors of The
Trend of Economic Thinking (Collected Works of F.A. Hayek Vol. III) 35, presumably delivered
at Peterhouse, Cambridge where the LSE was lodged at the time.
begin to have effect, they have usually changed their form to such an extent that their fathers can scarcely recognise them.\textsuperscript{343}

The two men also shared the belief, as, indeed, did Gramsci, that the intellectual argument had to be won in advance of the political battle.\textsuperscript{344} Both were thus committed to publicising vigorously the ideas they believed would change the intellectual climate. Hayek believed that it generally took a generation or more before a new opinion could become a political force. To him the quick adoption of Keynesian thinking had proved an exception to a general rule and thus had the potential to mislead people into believing that such a speedy translation into a political force could be the norm.

\textit{... the unique rapidity with which, in our own time, the teaching of Lord Keynes has penetrated into public consciousness may a little mislead you about what is the more regular course of things.}\textsuperscript{345}

Both Keynes and Hayek stressed what can be seen as the liberal position, in the classical sense; the notion that no set truth can be established once and for all time. Rather, knowledge is progressively constructed and always open to challenge and contestation, with new wisdoms and truths continually being invented and reinvented for each succeeding epoch.

Said Keynes: "We have to invent new wisdom for a new age."\textsuperscript{346}

For Hayek:

\textit{... in economics you can never establish a truth once and for all but have always to convince every generation anew – and that you may find much more difficult when things appear to yourself no longer so simple as they once did.}\textsuperscript{347}

\textsuperscript{343} Hayek, "On Being an Economist" 36.
\textsuperscript{344} Skidelsky, too, makes this point. Skidelsky 344.
\textsuperscript{345} Hayek, "On Being an Economist" 38.
\textsuperscript{346} Keynes, Essays in Persuasion (New York: Harcourt, Brace and Company, 1932) 337. From an address to the Liberal Summer School at Cambridge in 1925.
\textsuperscript{347} Hayek, "On Being an Economist" 38.
Keynes had a difference of emphasis with Hayek in his contention that theory had to be usable for politicians and administrators, which meant that it should be easy to apply and should promise political dividends, a reason that has been given for the “success” of The General Theory. D.E. Moggridge remarks on Keynes’s commitment to exploring policy alternatives and his practical bent as an economist, observing:

... his dislike of theory for theory’s sake, his almost complete absorption in questions of policy. It was this characteristic that lay behind his choice of emphasis in handling theoretical problems in the General Theory. As he told J.R. Hicks in June 1935: ‘I deliberately refrain in my forthcoming book from pursuing anything very far, my object being to press home as forcibly as possible certain fundamental opinions – and no more.’ In fact, Keynes’s ideal economist was in many respects a practical, if right thinking, technician – a dentist, to borrow one of his phrases. In his own work as an economist, Keynes might almost find himself classified as an extraordinary Civil Servant, using traditional modes of analysis until they broke down and then proceeding to fashion new tools to fill in the gaps – little more. Keynes saw the economist as providing an essential element in the possibility of civilization ...

Moggridge explains Keynes’s attitude as a belief that a “little clear thinking” or “more lucidity” could solve almost any problem. In addition, in his methods Keynes was mindful of the policy process and the forces shaping public opinion. Moggridge argues that one cannot understand Keynes’s work fully without some appreciation of his views on the policy procedure. Indeed, he asserts that reference to this aspect of policy-making is vital if one is to understand Keynes’s work as an economist.

... with his emphasis on the practical, his almost desperate desire to influence policy, and his numerous attempts to persuade policy-makers (both privately and publicly) ...

348 Skidelsky 344.
349 Moggridge 29-30.
350 Moggridge 39.
351 Moggridge 38.
Hayek claimed firm opposition to taking a popular route in the economic field, one which in his view was being taken at the time. Suggesting that the popular course of action might well be the easier, but that it might well also be the wrong way, Hayek links the speed with which Keynesian thinking was adopted and became a political force to the argument that sets of ideas are easy to embrace if they have pleasant conclusions and offer immediate bonuses for politicians and the public alike. Thus, argued Hayek, economists should react with some suspicion if they find themselves to be on the popular side, an irony, perhaps, in view of the greater popularity Hayek has currently.

In the 1944 address to students, Hayek indicates that the attitude of the time was to give the public what it wanted rather than to warn it that it could not have everything. In contrast to this almost irresistible temptation to go along with the “consensus” and to concur with the views held by most people of good will, Hayek proposes that a cold examination of the accepted view is essential on the part of the economist. The role which Hayek formulates for the economist is austere:

There can be no question that in resisting the inclination to join in with some popular movement one deliberately excludes oneself from much that is pleasant, profitable and flattering. Yet I believe that in our field more than in any other this is really essential: if anyone, the economist must keep free not to believe things which it would be useful and pleasant to believe, must not allow himself to encourage wish-dreams in himself or others. I don’t think the work of the politician and the true student of society are compatible.

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353 Ibid 46.
The internal temptations, such as the attraction of holding pleasant views, Hayek argues, are as seductive as the external material and symbolic temptations, to which, the current attitude of the time indicated, people had succumbed.

While the classical economists were perhaps a little too apt to feel "that is too good to be true", I believe this attitude is still a safer one than the feeling that the conclusions of an argument are so desirable that they must be true.  

Keynes had the advantage of a position of prestige at a university that dominated the economic field in the early part of the 20th century under Alfred Marshall, whose work at Cambridge combined many of the standard beliefs of classical economics with new ways of looking at prices and quantities within markets. In addition, Keynes was able to disseminate his ideas and theories through three important British publications, the Nation, New Statesman and The Economist, with all of which he was connected, whether editing, controlling or sitting on the board. He was also a journalist in the interwar years, a job that provided an avenue to address the public, and is described as being by nature an activist. 

According to Skidelsky, Keynes "proved an eloquent populariser of abstract ideas," with the year 1923 his peak in terms of publication. Keynes's first important publication to achieve acclaim was closely linked to his journalistic career.

Right or wrong, The Economic Consequences of the Peace was an immediate best-seller. It caused considerable annoyance in the Westminster-Whitehall Establishment, but brought Keynes's name before a large — indeed international — audience as someone with exceptionally well informed and cogently

354 Ibid.
355 Pennant-Rea and Emmott 114.
357 Skidelsky 27. In the United States The Economic Consequences of the Peace was published in New Republic, which serialised three extracts in December 1919 and January 1920, a relationship with Keynes which was to continue, extending his journalistic activities.
argued views on some of the main economic and political problems of the day. The mantle of formidable and controversial public figure now descended on him, and his views on many aspects of economic policy became well known to readers of the Manchester Guardian and The Nation (later absorbed by the New Statesman; Keynes was Chairman of both).  

According to Skidelsky, it was The Economic Consequences of the Peace, in which Keynes warned in 1919 that deliberate impoverishment of central Europe would bring war, that first attracted attention to him. Inspired in a moment of both passion and despair, Keynes wrote "like an angel with the knowledge of an expert," and it was this mastery of both words and science that was to be Keynes's achievement. The attention Keynes earned through these talents was bestowed equally on the discipline of economic science as a means to shape the future, asserts Skidelsky.

Just as the positions of Hayek and Keynes on the wisdom of state intervention in the economy were in marked opposition, so, too, were their views on knowledge, and on what can be referred to as Keynes's "cognitive style," his confidence in the ability of experts to manage and control. Keynes had great optimism about the possibility of intelligent management of short-run problems.

Moggridge observes that Keynes was very much the rationalist, perhaps too much so.

His whole career represented a constant campaign bristling with moral indignation at the harm perpetrated by 'madmen in authority', 'lunatics' (a very common word in his vocabulary) and others, who acted according to prejudice, and rules of thumb rather than according to reason carefully applied to an evolving situation — whether in making peace treaties, exchange

358 Stewart 21.
359 Skidelsky 3.
360 Biven 12.
361 Skidelsky 224.
rate decisions, unemployment policy or mundane administrative
decisions.  

In Skidelsky’s view it was this attitude that inspired his brand of liberalism.

The princes of the old world had left a dreadful mess; it was the task of the scientist to clean it up. This was a message with a powerful appeal to a rising generation. And it immediately raised the question with which Keynes was to wrestle for the next sixteen years of his life: was the inherited economics of the 19th century adequate to its new task? Or was that, too, part of the old world which had been swept away in the war? His eventual answer was given in The General Theory of Employment, Interest, and Money.  

Thus, where Hayek’s theme is that knowledge is always partial, and that there are therefore limits to a society’s ability to control events, the current of Keynes’s work is in sharp contrast. Skidelsky illustrates the attitude of Keynes, the mood of the times, and the relationship between the two.  

Keynes’s anti-market, antidemocratic bias was driven by a belief in scientific expertise and personal disinterestedness which now seems alarmingly naive. This runs like a leitmotiv through his work and is the important assumption of his political philosophy. Economic progress, he emphasised, depends ‘on our willingness to entrust to science those things which are properly the concern of science’; the principles of central banking, he was to say a little later, should be ‘utterly removed from popular controversy and ... be regarded as a kind of beneficent technique of scientific control such as electricity or other branches of science are’.  

Hayek’s essay “Two Types of Mind” offers another illustration of the contrast between the two men. Here he sets out some thoughts on the difference between what he saw as the two

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362 Moggridge 38.  
363 Skidelsky 3.  
364 An elitist predisposition on the part of Keynes and his associates in the gifted and culturally avant-garde group of which he was an occasional member, known as the Bloomsbury group, is frequently discussed in works covering the topic.  
366 Hayek, “Two Types of Mind,” The Trend of Economic Thinking 49.
main "cognitive styles" in scientific thinking, not their views of knowledge so much as their "knowledge styles." Hayek saw Keynes perhaps as the type of intellect that fitted his description of the "perfect master of his subject," and himself as representing "a rather extreme instance of the more unconventional type." While not offering any other names of thinkers representing the other group, he contrasts the perfect master — who has at ready command the whole theory and all the important facts of the particular discipline and is prepared to answer at a moment's notice all important questions relating to that field — with the independently inclined minds of "puzzlers."

... forced to find their own way of expressing an accepted idea, they sometimes discover that the conventional formula conceals gaps or unjustified tacit presuppositions. They will be forced explicitly to answer questions which had been long effectively evaded by a plausible but ambiguous turn of phrase of an implicit but illegitimate assumption.367

367 Hayek, "Two Types of Mind" 52.
CHAPTER 6

1. The Keynesian Climate, and the Early Resistance

Keynes's interpretation of the economic situation embodied in The General Theory of Employment, Interest and Money (1936) became the accepted and dominant one, reaching fulfilment in Britain in the Keynesian welfare state that was to develop into various forms throughout the industrialised world. Its thrust was that government fiscal and monetary policy could be used to adjust demand and maintain full employment without inflation, and this large-scale state intervention with its macroeconomic prescriptions, often attended by much econometric modelling, became the orthodoxy from the mid-1940s until it was supplanted in the 1970s. It was a model which depended on national governments being able to exercise power over economic actors, and a closed economy was assumed. Trade and external relations did not play a large part – positions which are increasingly being drawn into question. David Marquand argues that the Keynesian commitment to full employment rested, among other things, on the assumption that the nation's international links would not prevent British governments from using the Keynesian regulators as they wished, which is not possible in a country with an open economy and weak balance of payments. A number of the assumptions underpinning the Keynesian view were to crumble from as early as the late 1950s, Marquand says.

The Keynesian revolution was not only economic; it affected the way government operated and empowered new ranks of bureaucrats and academics, bolstered all the while by the

growing confidence of the social science paradigm. Elegant and eloquent, Keynes won out with a position which could readily be taken up by government officials, whom he saw as an important audience for his work during a time of uncertainty and general hardship.

Keynes had rejected laissez faire thinking more than a decade before the appearance of The General Theory which, in combination with Beveridge’s policy prescriptions in the government White Paper Social Insurance and the Allied Services (1942), was to provide the theoretical framework for a different social order. Keynes, repudiating laissez faire as wanting and inappropriate for the times – as he had rejected socialism as an economic remedy – developed between 1924 and 1929 the complex economic formulation that was to comprise The General Theory. He first presented these ideas publicly in November 1924 at Oxford in a paper entitled “The End of Laissez-Faire,” which was published in 1926.

This same period marks Keynes’s most intense involvement in the politics of the Liberal Party.

In Skidelsky’s view:

He quite explicitly set out to supply the Party with a new philosophy of government. But, with the historical Liberal Party in decline, Keynes also came to see his reconstructed liberalism as the common ground of a two-party system, with the Liberal Party ‘supplying Conservative governments with Cabinets, and the Labour governments with ideas.’

370 While the symbolic association between the two men may present an image of collegiality, Skidelsky (400) notes that Beatrice Webb wrote in her diary after a lunch with Beveridge that he “heartily dislikes Keynes and regards him as a quack in economics.” Norman and Jeanne MacKenzie, eds., The Diary of Beatrice Webb, Vol. IV (London: Virago, 1982) 260.

371 Skidelsky 233.


373 Skidelsky 222, quoting from Keynes’s Collected Writings, Vol. IX, 310.
Keynes's hand was indeed already evident in policy papers by 1928, when the Liberal Party issued its "Liberal Yellow Paper" setting out unemployment schemes involving a £250 million scheme of public works financed by loans, according to Fraser.374

Skidelsky believes that while "The End of Laissez-Faire" is certainly flawed, it is for him the most impressive short attempt to set out a social and economic philosophy suitable for the interwar years.375

Keynesian thinking, with Harvard University acting as its American centre, was to influence the development of the society of the "New Deal" adopted by the Roosevelt administration. Noting that Keynes's most practical policy recommendation, that of using the government budget as a counterbalance to the private sector to prevent short-run oscillations in the economy, was not entirely original, Biven points out that the public works programmes of Roosevelt's New Deal preceded The General Theory by several years.376 Keynes did address an open letter to Roosevelt in late 1933 urging him to use government expenditure to stimulate the economy, and the two men met in 1934, according to Biven.377 In Biven's view, though, the most convincing evidence that a stimulative budget policy could fan the economy in the direction of full employment was delivered by the effects in the United States of the massive defence spending of the Second World War.378

Keynes was mindful of the benefits of bringing an international audience to his position along with the British Treasury and fellow economists, but also of the constraints he faced. As

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374 Fraser 189.
375 Skidelsky 228.
377 Ibid.
378 Ibid 35.
European liberals were either against social experiments (and those Europeans who were partial to social experiments were anti-liberal) or lacked an economics profession for theoretical research in the Anglo-Saxon sense, with the exception of the Swedes and the Austrians, as Skidelsky observes, Keynes turned to the United States, and Roosevelt.\(^{379}\) There is much controversy about how much influence Keynes had directly on the New Deal, but the macroeconomic policies that were instituted to counter the Depression were nonetheless largely in the style of Keynes. A similar influence prevailed in the economic policy of many of the industrialised nations, but as discussed earlier this, too, had not suddenly appeared in a decade, even though the American version of the welfare state is most often associated with the 1930s and 1940s. The microeconomic policies pursued were also more interventionist, with trade unions encouraged, agricultural prices raised, farmers paid for the first time to restrict acreage, and acts and commissions established to enforce anti-trust laws.\(^{380}\)

Britain had been virtually alone in suffering from prolonged, severe unemployment in the 1920s but was joined at the end of that decade by the U.S., which was then also experiencing economic and social upheaval along with most of the industrially developed world. Indeed, it was the 1929 crash of Wall Street in New York that stood as the symbol of the times, an event not only marking the collapse of the international economy but one which was to take it into what became known as the Great Depression. According to Stewart, unemployment in the U.S. rose from three per cent in 1929 to 25 per cent in 1933.\(^{381}\)

\(^{379}\) For a fuller discussion see Skidelsky 483-494.

\(^{380}\) Pennant-Rea and Emmott 125-126.

\(^{381}\) Stewart 171.
W. Carl Biven argues that after the Second World War the U.S. abandoned a *laissez faire* approach to economic problems, as did other industrialised nations.

The story of the decades since the war is about the struggle to put something in its place; the struggle to come to an agreement, as a matter of political judgment, on how much government ought to be involved in the economy and to define, on a purely technical level, the limits of our ability to influence economic events.

For the first three decades after the war, something of a consensus developed that can be described by the label “Keynesian economics.” Sometime in the 1970s, this agreement broke down. What was left, at least in academic circles, is described by Lucas as “total chaos ... the end of consensus economics.”

Biven, echoing the sentiment expressed by The Economist in regard to Keynes’s influence quoted earlier, sees The General Theory as the most influential book in economics written in this century – the “book that started the ‘Keynesian Revolution’.”

It is surprising the degree to which this treatise, written in 1936, is still the focus of much of the controversy among scholars about how the economy works. There is hardly a meeting of the American Economic Association, the annual assembly of the best and the brightest, at which a session on some aspect of Keynes’s ideas does not find its way into the programme.

Keynes's enthusiastic American disciple, Paul Samuelson, who was later to articulate Keynes's macroeconomic vision in books that proved important vehicles for the propagation of what was to become known as Keynesian economics, observes of The General Theory:

> It is a badly written book, poorly organised; any layman who, beguiled by the author's previous reputation, bought the book, was cheated of his 5 shillings. It is not well suited for classroom use. It is arrogant, bad-tempered, polemical, and not overly-generous in its acknowledgements. It abounds in mares’

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382 Biven 1. The Lucas he refers to in the quotation is Robert Lucas, professor of economics at the University of Chicago, whom he says is a major contributor to modern developments in economics.

383 Ibid 3.

384 Biven 3.
nests and confusions: involuntary unemployment, wage units, the equality of savings and investments, the timing of the multiplier, interactions of marginal efficiency upon the rate of interest, forced savings, own rates of interest, and many others. In it the Keynesian system stands out indistinctly, as if the author were hardly aware of its existence or cognizant of its properties; and certainly he is at his worst when expounding its relations to its predecessors. Flashes of insight and intuition intersperse tedious algebra. An awkward definition suddenly gives way to an unforgettable cadenza. When it is finally mastered, we find its analysis to be obvious and at the same time new. In short, it is a work of genius.385

The General Theory, with its emphasis on macroanalysis, had an optimism about the prospects for effective economic intervention by the state. This thinking was in accord with the more general faith in positivist methods, indeed it acted to reinforce their dominance. It supplied the raison d'être for state intervention and set out Keynes's national income accounting techniques, providing the means for the new thinking to be implemented.386 It thus conducted the "revolution" at two levels – those of academic theory and practical policy.

The revolution in the economics profession had become a revolution in the way the state's economic responsibilities were perceived, argues Michael Collins, and the "bounds of legitimate state intervention were irrevocably loosened."387

The General Theory certainly raised "a dust," as Keynes had told Roy Harrod388 he wished to do. There were detractors, as there were eulogisers.

386 Michael Collins, "Did Keynes have the answer to unemployment in the 1930s?" J.M. Keynes in Retrospect (Aldershot, England: Edward Elgar, 1988) 65.
387 Collins 65.
388 Skidelsky 547.
The book was revolutionary in that it broke with the earlier dominant theory collectively characterised as neo-classical, which had concerned itself with microeconomic problems "objectively" constructed at the level of individual markets, households or firms, rather than macroeconomic problems. The Keynesian macroeconomic approach — collectively characterised as usually involving government fiscal policy and monetary control, and focusing on aggregates like the rate of economic growth, the level of unemployment, the balance of payments and inflation — took over from the earlier microeconomic theory paradigm, in which price theory had played a central role. Thus microeconomics, in which the refinement and synthesis of supply and demand theories was one of the main concerns, was sidelined by the Keynesian approach with its argument that the economy can be in equilibrium, with expected proceeds equal to expected costs, at less than full employment.\textsuperscript{389}

Keynes, who, in Skidelsky’s view, openly attacked the methodology of economics,\textsuperscript{390} began by rejecting the idea that one could rely on full employment being maintained or, after a downswing, restored by the operation of some self-adjusting mechanism. Things did not automatically return to a situation where a revival of the economy occurred, with supply met and absorbed by demand.\textsuperscript{391} Keynes argued that wages, prices and interest rates did not move

\textsuperscript{389} Pennant-Rea and Emmott 112 note that many economists have pointed out that such aggregates grow from micro roots; that a proper understanding of unemployment and inflation requires the study of labour markets as well as monetary and fiscal policies.

\textsuperscript{390} Skidelsky 442.

\textsuperscript{391} Since the focus of this work is not to elucidate or evaluate the economic theories of either Keynes or Hayek, \textit{The General Theory} is not considered in any depth. Skidelsky gives a good discussion of Keynes’s break with the assumptions and positions of classical economics (549-570), as well as a detailed account of the reviews of the work (572-624).
by themselves in such a way as to ensure full employment. It could not be assumed that full employment was the normal state of affairs.392

John Brothwell asserts that Keynes wrote The General Theory to explain to his colleagues why the capitalist economies of the interwar years were failing to maintain full employment and to suggest ways of correcting the malady. In this Keynes had accomplished a revolution in economic theory, and indeed, says Brothwell, the entire area of 20th century macroeconomics is based on the simplifications of the work of his disciples,393 of whom there have been many. Keynes, he argues, set out to convince fellow economists that their basic assumptions on which they had built their theories of aggregate employment and output were wrong.

From a perspective of the 1990s Christopher Johnson, too, uses the religious metaphor when comparing the two paradigms, drawing an analogy between modern economics and Christian religion thus:

The classical economists are revered as Old Testament prophets, forerunners endowed with amazing premonitions of what was to come, and deserving of scholarly study. Keynes’s work is the New Testament, and his followers will never agree on the correct interpretation, although this does not prevent them from confidently asserting what he would have said were he still with us.394

He does not draw neo-liberals or Austrians into the metaphor, as he does monetarists, whom he casts as fundamentalists come to remind the world of the eternal verities of the Old Testament, with Milton Friedman in the role of St. Paul.

392 Stewart 78-81, where he discusses the essential argument of The General Theory.
Brothwell believes that Keynes was not able to shrug off the “habitual modes of thought and expression” as he wished, thus retaining a considerable amount of neo-classical marginalist value theory. It was this, says Brothwell, that facilitated the neo-classical resurgence which has culminated in the complete rejection of Keynesian elements in the “New Classical macroeconomics — and the wheel has turned full circle.” He concludes that a Keynesian revolution in economic thinking never took place because Keynes failed to purge The General Theory of its neo-classical elements.

The main reason for this was that not even Keynes could escape completely from the old ideas; he failed to realize that the neo-classical theories of output, employment, value and distribution are inseparable and needed to be discarded in toto.

Most commentators of the time, however, believe that a Keynesian revolution did take place. His ideas, like “the ideas of economists and political philosophers” before him, proved very powerful, and the postwar world was “ruled by little else” for some 30 years.

From his position as the principal rival of Keynes, Hayek fell into relative obscurity in the field of economics in the immediate years after The General Theory was published. As a foreigner, Hayek may well have been at a considerable disadvantage living in Britain in 1936, the year the book appeared and the same year in which the Austrian-born Hitler marched into the Rhinelands, which had been demilitarised after World War I. With many young economists in Britain and elsewhere particularly enamoured with The General Theory, and the British people closing ranks as the war drew closer, Hayek’s lack of a written response to The General Theory could perhaps be seen as a strategic and temporary withdrawal. Within two years, as

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395 Brothwell 47.
396 Ibid 60.
related in Chapter 7, Hayek was in Paris helping with an attempt to organise the beginnings of a resistance.

Of the grouping around Hayek it was to Frank Knight, one of the founder members of the Hayek-inspired Mont Pèlerin Society when it was set up in 1947, that the task fell of reviewing *The General Theory*. The Chicago-based Knight had been in Vienna in the 1920s and thus had connections with the home of the Austrian School of economics. He had also been to the LSE, where his thesis *Risk, Uncertainty and Profit* (1921) was to become a standard text. 397

Knight, to whom Skidelsky refers as the dominating influence in interwar Chicago economics, reviewed *The General Theory* for the *Canadian Journal of Economics* in 1937. He criticised Keynes both for his theory as well as for his procedures, which he said led to a caricature of classical doctrines and the reinvention of old fallacies. Skidelsky says that Knight, like Hayek:

... regarded the market system, and the reasoning that supported it, as the best defence against political barbarism. 398

Knight – claiming that the chief value of *The General Theory* lay in the "hard labour involved in reading it, which enforced intensive grappling with the problems" 399 – was critical of the work on a number of grounds. 400 Finding Keynes perhaps to have taken the ubiquitous presumptuousness of economists to an extreme, Knight asserts that given the assumptions

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397 McCormick 1.
398 Skidelsky 577.
400 In the review’s first footnote, Knight says that in view of the late date of the review he will assume a familiarity on the part of the reader with the content of the book, and thus his article will be primarily critical in character. Knight 100.
presupposed in The General Theory, any argument aimed at revolutionising the discipline
would be made easy, and any preferred policy recommendation justified.

It would surely appear that if one is willing to make
assumptions of this sort – along with those already pointed out, namely, that there is unemployment, that wages and prices
cannot fall (but are free to rise), that wages are uninfluenced by
the supply-offering of labour, that the price of capital-service is
dependent only on the speculative attitude of the public toward
money (i.e., toward general prices) and the quantity of money
fixed by the arbitrary fiat of a central banking authority entirely
uninfluenced either by saving or by the demand for capital – one
should indeed find little difficulty in revolutionizing economic
theory in any manner or degree or in rationalizing any policy
which one might find appealing. 401

Knight claimed that it was difficult to tell what the author meant in The General Theory,
suggesting that:

... it is my own conviction that we must simply “forget” the
revolution in economic theory and read the book as a
contribution to the theory of business oscillations. This, of
course, involves laborious interpretation, amounting to
rewriting the book as one reads – or re-reads for the rth time.
Even from this point of view, I cannot see that it gets very far
or says anything very original, but perhaps its wild
overstatement may serve to emphasize some factors which have
been relatively neglected. 402

Keynes refused the offer of an opportunity to reply to Knight’s review. Keynes’s retort to the
editor of the journal was:

Indeed, with Professor Knight’s two main conclusions,
namely, that my book had caused him intense irritation, and that
he had great difficulty in understanding it, I am in agreement. 403

Knight was the central and one of the founding figures in the American group located at the
University of Chicago, a group which included Milton Friedman and George Stigler, both of

401 Knight 122-123.
402 Ibid 121.
403 Skidelsky 577, quoting Keynes to V.W. Bladen, 13 March 1937; Collected Writings, Vol. XXIX
217-18. Bladen, the editor of the journal, had asked Keynes whether he wanted to reply.
whom were later to win Nobel prizes for economics. All three attended the inaugural meeting of the Mont Pèlerin Society, and were included in the list of members at incorporation.

Skidelsky quotes Hayek’s comment that Keynes’s influence on economics was “both miraculous and tragic,” but says Hayek remained a “bystander” as the Keynesian revolution unfolded and only started organising a resistance after Keynes’s death in 1946.404

Yet Hayek was no “bystander” in the battle of ideas as to the wisdom of centralised, large-scale state intervention. He acted by engaging in contentious debate from the early 1930s, as is amply indicated in writings that simultaneously address his political and intellectual projects. His journal articles, private correspondence with Keynes and his most polemical and ideologically influential work, The Road to Serfdom, which took his programme of arguing the dangers of a heavily interventionist approach outside the more narrow confines of the British academy to a wider audience, are evidence enough. Indeed, Hayek called The Road to Serfdom, published in 1944 before the death of Keynes, his “political book.” He had taken his case directly to a wider public, says Stephen Kresge, because he sensed that the case he was arguing would not find a hearing among professional economists and civil servants, and it was for this reason that he took care to make the style as accessible as he could manage.405

Keynes responded to this “political book” in a letter to Hayek from Atlantic City on June 28, 1944.

404 Ibid 459.
The voyage has given me the chance to read your book properly. In my opinion it is a grand book. We all have the greatest reason to be grateful to you for saying so well what needs so much to be said. You will not expect me to accept quite all the economic dicta in it. But morally and philosophically I find myself in agreement with virtually the whole of it; and not only in agreement with it, but in a deeply moved agreement.\(^{406}\)

In some technical sense, what Skidelsky refers to as “resistance” to the Keynesian revolution perhaps began in the year following Keynes’s death (the war had severely restricted the possibility of organisation) when the Mont Pèlerin Society was founded, in that it took an organisational form that survives to the present. Yet there had been an earlier attempt to form an equivalent. This had not borne fruit, in part because of the difficulties of organising anything in 1938, with war in the air.

The earlier attempt was steered by French philosopher Louis Rougier and inspired by Walter Lippmann’s work of the year before, *An Inquiry into the Principles of the Good Society* (1937), which considered the reasons for the decline of liberalism in Europe and made suggestions as to how this might be reversed, discussed in the next chapter. Rougier brought together in Paris an international gathering of liberals, mostly academics, to form a society for the revival of classical liberalism, attempting to unite the disputatious group around what Rougier believed was a book of central importance. Lippmann’s work, which dealt with the advance of collectivist ideologies and governments since the war, acknowledged the importance to his thinking of Hayek and Mises.

\(^{406}\) The letter to Hayek from Keynes is in the F.A. Hayek collection at the Hoover Institution at Stanford University, Palo Alto, along with other documents which are examined in later chapters of this study. Parts of this letter are also quoted in “The Heresies of John Maynard Keynes” in Robert Heilbroner, *The Worldly Philosophers* (Middlesex, England: Penguin Books, 1980) 211.
Of the 26 participants from eight different countries at the conference in Paris, 12, including of course the key figures of Hayek and Mises, were later among the early members of the Mont Pèlerin Society.407

2. The Contexts and the Movement

Setting out the contexts which this thesis argues contain the roots of the anti-interventionist, pro-market movement in these three chapter which make up Part 2 enabled the thesis to make a number of points of relevance to the development of the movement.

Firstly, when Hayek arrived at the LSE in 1931 the context from which he came and the situation he was entering meant that he was positioned to assume a role as a movement leader. He was one of the leading exponents of a school of economic thought in a country whose economic decisions of the 1930s and 1940s were to have a major impact on the world. The Austrian tradition he represented had, since Menger, talked about subjectivity in ways not then as common as they are currently; and it had, through Mises, advanced a major argument against collectivism which, again, has renewed status currently.

From the point of view of nurturing movement intellectuals, the Austrian School had given the movement lessons through the experiences of its key figures. Menger and Mises had, in different ways, left their mark on the tactical consciousness of the Austrians; Menger in the sense that he had shown that a restrictive orthodoxy could be challenged, and Mises because they could see that, with better, more persuasive tactics, his ideas could have gone even

407 The names of those present at the inauguration in 1947 are listed in a proposed first chapter of a yet-to-be-published manuscript on the history of the Mont Pèlerin Society by current president Max Hartwell. To date, no history of the Mont Pèlerin Society has been published, which would make Hartwell’s the first when published. I have a photocopy of part of the manuscript.
further. At the same time, both had been a source of inspiration in showing the requisite
degree of determination to change people’s minds.

The partnership which Hayek formed with Robbins – the dominant figure in economics at the
LSE who would also later become a founder member of the Mont Pèlerin Society – was an
important collaboration for the movement, giving focus to the Austrian perspective in the
national context, from which it was then able to parlay internationally.

The next four chapters trace the development of the movement.
PART THREE

Reading the movement: The protracted struggle against large-scale state intervention and campaign for a more market-based order, 1931-1981
Half the copybook wisdom of our statesmen is based on assumptions which were at one time true, or partly true, but are now less and less true day by day. We have to invent new wisdom for a new age and in the meantime we must, if we are to do any good, appear unorthodox, troublesome, dangerous, disobedient to them that begat us.

*Am I a Liberal? — John Maynard Keynes*  

Unlike liberalism with its fundamental belief in the long-range power of ideas, conservatism is bound by the stock of ideas inherited at a given time. And since it does not really believe in the power of argument, its last resort is generally a claim to superior wisdom, based on some self-arrogated superior quality.

This difference shows itself most clearly in the different attitudes of the two traditions to the advance of knowledge. Though the liberal certainly does not regard all change as progress, he does regard the advance of knowledge as one of the chief aims of human effort and expects from it the gradual solution of such problems and difficulties as we can hope to solve. Without preferring the new merely because it is new, the liberal is aware that it is of the essence of human achievement that it produces something new; and he is prepared to come to terms with the new knowledge, whether he likes its immediate effects or not.

*Why I Am Not a Conservative — F.A. Hayek*  

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CHAPTER 7

The Period of Gestation, 1931 to 1944: Contesting the Interventionist Argument

*My task is to free the world from the plague of socialism, which is a purely intellectual task.*

Hayek’s belief in the cumulative power of ideas and argument and his conviction that extensive government intervention shackles rather than liberates society is evident in much of his public writing; it was a commitment he felt personally enough to set himself the above objective and one which was to lead him to assume a major and dramatic role in the struggle against large-scale state intervention. Following his conversion to the Austrian brand of market-based thinking through the teachings of Mises at the outset of his intellectual career, Hayek took the baton handed to him and addressed himself, in turn, to those he saw as headed down the road to serfdom.

Described as courteous but combative in demeanour, Hayek engaged polemically with state interventionists of all types from the time he arrived at the LSE, becoming the main intellectual rival of Keynes, the prime advocate of large-scale state intervention. In keeping with his belief in the liberal tradition of the advancement of knowledge, Hayek urged the 1930s interventionists to abandon what he saw as their folly, adopting the same stance

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410 The material for this section is taken from interviews, archival material consisting mainly of Hayek’s correspondence and documents relating to the Mont Pèlerin Society lodged at the Hoover Institution, and the manuscript soon to be published on the Mont Pèlerin Society by one of its members, Max Hartwell, Oxford, U.K. The Mont Pèlerin Society has avoided publicity over its almost 50 years and there is limited information on it.

411 From an index card in a collection carried around by Hayek. The index cards, which Hayek was in the habit of using to keep handy his latest thoughts, he gave to, and are in the possession of, his son Laurence Hayek and daughter-in-law Eska Hayek, in Devon, England.

412 Thus becoming the first foreign professor at the LSE, according to Kurt R. Leube. He refers to the LSE as a “then unique stronghold of theoretical economic research.” Chiaki Nishiyama and Kurt R. Leube, eds., *The Essence of Hayek* (Palo Alto: Hoover Institution Press, 1984) xix.
towards those in a position to influence public opinion and hoping through them to influence politicians who could then, in turn, influence policy. Indeed, Hayek not only continually engaged in the activity of academic argument, but based his practices on the belief that it was intellectuals who were crucial for any transformation of general thinking which could then lead to political changes. Intellectuals as agents of social change were something on which he dwelt increasingly during the 1930s and 1940s, often sending drafts of ideas on this topic to colleagues and friends, many of whom would be fellow Mont Pèlerin members.\footnote{There is a letter among Hayek’s papers at Stanford which is an example of this. Frank Knight, in a letter dated December 6, 1948, responds to the news of Hayek’s appointment at the University of Chicago as well as to a paper sent to him by Hayek on the intellectuals and socialism. Hayek collection, Hoover Institution Collection title F.A. Hayek, Box number 76, Folder ID 24.} He gave expression to these thoughts in the 1949 article “The Intellectuals and Socialism,” as well as through his work in forming the movement and movement organisations such as the Mont Pèlerin aimed at challenging the reigning dominant interpretation and creating and disseminating a counter argument to that of the benefits of large-scale state intervention.

John Hicks, who was at the LSE at the time, believed that when the definitive history of economic analysis during the 1930s came to be written, Hayek would be a leading figure in that intellectual drama. Yet, writing in the 1960s, Hicks saw Hayek’s stature in economics as having diminished so significantly since that time, his part having become so minor, that his economic writings were almost unknown to students of economics.

... it is hardly remembered that there was a time when the new theories of Hayek were the principal rival of the new theories of Keynes. Which was right, Keynes or Hayek?\footnote{John Hicks, “The Hayek Story,” Critical Essays in Monetary Theory (London: Oxford University Press, 1967) 203.}
Hicks’s comments are an interesting illustration of how sets of ideas and beliefs, and therefore also the theorists associated with them, can gain, lose and, in some cases, regain currency over time, for Hayek’s thought has advanced from the margins back to centre stage in the three decades since Hicks made his pronouncement. Hilary Wainwright, writing this year, confirms this with her reference to:

... the considerable influence of this prolific economist-philosopher who, ten years ago, was considered a somewhat dated eccentric.415

This is also a curious characterisation, though, for there has been a revival of interest in Hayek for far longer than that. His ideas have been gaining currency since the 1970s, the decade during which he won the Nobel Prize for Economics. Indeed, Hayek is even seen to be an important figure in the rise of the New Right by writers who date the movement at least as far back as the late 1960s. What does appear to have changed over the past decade, however, is that an increasing number of writers on the left have begun to view Hayek differently and take him seriously, examining his ideas rather than castigating his position on the market without considering it, or simply ignoring his work. Certainly Hayek’s ideas, in one form or another, are present in the thinking of the left-of-centre think-tanks which have been established over the past five years in the U.K.

This year, the 50th anniversary of The Road to Serfdom, interest in Hayek is greater still. Books are coming out from authors of both the “left” and “right” which remark on the revival of his reputation as an economist, political philosopher and intellectual historian, articles on

him are appearing in magazines and journals and his publishers remark on a surge in sales of his books.

The most contentious and influential work of Hayek’s 60 years of intellectual battle, and one that came early on in the struggle, is The Road to Serfdom. His intention, he said, was to write a “political” book, and that he achieved. The combination of a courteous, reserved manner and a disputatious intellectual stance, where Hayek constructs his discourse in modest rhetorical style but with engaging critical arguments, shows itself in much of his writing but is especially evident in this book so important to the movement. Surprising its author, publishers and sympathetic reviewers alike, it became an international best-seller and made Hayek a famous figure of the 1940s. 416 This unexpected success perhaps illustrates a point that he cited frequently as a problem for social planners: that actions bring with them unintended consequences. In the 50 years since its publication, The Road to Serfdom has sold widely, especially in the large American market. It was published in the same year in Britain and the United States; in Britain by Routledge on March 10 and in the United States on September 18, 1944 by University of Chicago Press, which now reports its 31st impression. It has been translated into 20 languages and has gone into various editions and many printings.

For a book on political economy, The Road to Serfdom, which Hayek started writing in the fall of 1940 and which he says developed out of an earlier article which he wrote for Contemporary Review in April 1938, 417 “Freedom and the Economic System,” found a

416 In a letter to Röpke quoted by Hartwell, Hayek remarked that the “extraordinary success of my own book was quite unexpected to me.”
political and general readership far in excess of the usually limited academic audience. Tracing its development, Hayek recounts how *The Road to Serfdom* was inspired by a thinking that emerged in England in the late 1930s, with people:

... seriously believing that National Socialism was a capitalist reaction against socialism. It’s difficult to believe it now, but the main exponent whom I came across was Lord Beveridge. He was actually convinced that these National Socialists and capitalists were reacting against socialism. So I wrote a memorandum for Beveridge on this subject, then turned it into a journal article, and then used [my time during] the war to write out what was really a sort of advance popular version of what I had imagined would be the great book on the abuse and decline of reason. This was the second part, the part on the decline of reason. It was adjusted to the moment and wholly aimed at the British intelligentsia, who all seemed to have this idea that National Socialism was not socialism, just something contemptible.418

The respective receptions the book received in the U.S. and the U.K. were quite different. Hayek was surprised at the American interest in a work that had been written so definitively in an English frame of reference, as he was by the negative response, even “abuse” he received from the American intelligentsia. It was something for which he said he was quite unprepared, and which he did not experience in Britain. There, he says, the English socialists, with few exceptions, accepted the book as something written in good faith which raised problems they were prepared to consider.

In America it was wholly different. Socialism was a new infection. The great enthusiasm about the New Deal was still at its height, and here there were two groups: people who were enthusiastic about the book but never read it – they just heard there was a book which supported capitalism – and the American intelligentsia, who had just been bitten by the collectivist bug and who felt that this was a betrayal of the highest ideals which intellectuals ought to defend. So I was exposed to incredible abuse, something I never experienced in

Britain at the time. It went so far as to completely discredit me professionally. 419

Hayek, in a footnote in a subsequent edition of the book, makes reference to one such instance, inviting the reader to examine Herman Finer's *Road to Reaction* (1945) – a "specimen of abuse and invective which is probably unique in contemporary academic discussion." In this book, Finer describes Hayek as breaking the taboo on discussion. In contrast to figures such as Keynes, who saw merit in the book, Finer saw it as little more than the arsenal of the counter-offensive, and Hayek and his followers as the worshippers of reaction. 420 Finer's charge that Hayek was breaking a taboo on discussion is one which fits movement activity in that movements make the unthinkable thinkable, problematise what is still unproblematic, and give voice to the silenced – a discourse common to social movements that draw into question the dominant interpretation, as discussed earlier in Part One.

Given these attitudes, it is not surprising that finding a U.S. publisher at first proved difficult for Hayek. Three publishers rejected *The Road to Serfdom*, according to Hayek, including Macmillan in New York and Harper. 421 One did so on the grounds that Hayek's views were outside of the stream of thought of the day, both in the U.S. and in Britain. Another saw the work as so completely in the negative vein as to leave readers without an ability to take a position or stance on policy. Hayek even refers to a review in which the book was seen as "unfit for publication by a reputable house." 422

419 Ibid 102–103.
421 According to Max Hartwell in his manuscript on the Mont Pèlerin Society, expected to be published in 1994.
422 In a footnote in the foreword to the 1972 edition of *The Road to Serfdom*. 

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Through the help of fellow movement activists and later Mont Pèlerin members Fritz Machlup, Frank Knight and Aaron Director, a publisher – University of Chicago Press – was found, for which Knight was a reader. While Knight recommended publication of *The Road to Serfdom*, saying he was supportive of the project and thought it to be an important contribution to economic thinking, he nevertheless added that he felt the book would not sell well in the market of the time.

The first British print run of 2,000 for publication in March sold out by May 1944, and a second edition of 2,500 had almost sold out by the end of the same month,\(^{423}\) figures which could have been higher but for wartime paper shortages. The book has sold around 250,000 in North America alone – a remarkable figure for a book on political economy, according to University of Chicago Press. A German edition was published in Switzerland but its import into Germany was prohibited for a number of years after the war. Nevertheless, some copies had been smuggled in from Switzerland\(^{424}\) and Hayek recounts how he came across a typescript copy of *The Road to Serfdom* on a visit to Germany in 1946 in which his original work, like a medieval text, had been added to in the process of reduplication. Routledge says that while all sales of Hayek books in Britain are good, *The Road to Serfdom* "seems to sell particularly well." Total English-language sales for Routledge world-wide, excluding North America, from March 1944 were not easily available, but for the period from 1984 alone they are in the region of 18,000 copies. Hayek’s last work, *The Fatal Conceit*, also does well, having achieved sales of some 3,000 copies since 1990, Routledge says.

\(^{423}\) According to Hartwell.

University of Chicago Press promotions manager Alex Philipson describes the publication of *The Road to Serfdom* in the 1940s as having become a "publishing event." A great deal of interest followed publication, as did controversy, and within weeks the print run of 2,000 – normal for a solid scholarly work, which was how it was evaluated at the time by University of Chicago Press – was exhausted. Sales were helped by favourable reviews, among them one in the *New York Times*, says Philipson, although there were also reviews condemning Hayek's analysis. A further boost came when the book was published in condensed form in *The Reader's Digest* in April 1945, pushing sales to 30,000 copies in North America. The Book of the Month Club brought it to the attention of its half a million members, which further fuelled sales. When a paper shortage curtailed a subsequent print run of 10,000 copies the book was reduced in size, giving University of Chicago Press's version of *The Road to Serfdom* its present smaller format.

Philipson says the publishing heyday for the book was the mid-1940s, but soon general interest in the title began to wane as the Keynesian view came to overshadow that subscribed to by Hayek, and the low point for North American sales was the period from the mid-1950s to the early 1960s. Nevertheless, it always sold steadily as a classic in the more limited market of social, political and economic theory, along with another classic title from the University of Chicago Press publishing house, Thomas Kuhn's *The Structure of Scientific Revolutions* (1962). Sales of *The Road to Serfdom* have been picking up considerably in this anniversary year, says Philipson, who cites such reasons as the collapse of the Soviet system, the fact it is

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425 The information on the history of the publication of *The Road to Serfdom* and sales figures for the title were obtained in a telephone interview with University of Chicago Press Promotions Manager Alex Philipson on April 11, 1994 and from faxed information from Philipson which followed the telephone conversation.
the 50th anniversary of the book's publication, and a general increase in interest in Hayek of which the recent Fortune article on The Road to Serfdom by Thomas Sowell, who is also a Mont Pèlerin member, is an example.426 Both The Road to Serfdom and Kuhn's book cross disciplinary boundaries and are used by a variety of scholars in various ways, another factor contributing to sales.

The sales which The Road to Serfdom has achieved in the 50 years since it was published could be seen, firstly, as an indication that the foundations of the interventionist consensus among the general population were not as secure as many, including those not part of it, might have thought, and secondly, and more importantly for the purposes of this project, as an illustration of how much momentum a movement can gain from a key text.

The Road to Serfdom is a material and ideological example par excellence of Hayek's commitment to a market liberalism derived from the tenets of classical liberalism and to a willingness to engage vigorously in the battle of ideas, a position in keeping with a Gramscian attitude to the winning of consent for a set of ideas. Indeed, since Hayek saw the writing of The Road to Serfdom as a political act and it was a formative influence for the movement, its advent can be seen as an example of cognitive praxis if, following Eyerman and Jamison, the movement is read in a particular cognitive way, as discussed in Chapter 3. For Eyerman and Jamison the cognitive praxis of social movements is the social action from which new knowledge originates and new perspectives are developed.427

427 Eyerman and Jamison 48-49.
Hayek’s critique of state planning in The Road to Serfdom built on, and contributed significantly to, the anti-state-interventionist consciousness that was taking shape among a scattered group of liberals. Indeed, it was to become for the movement arguing against large-scale state intervention an equivalent of books such as Rachel Carson’s Silent Spring (1962) for aspects of the environmental movement, or Betty Friedan’s The Feminine Mystique (1963) and Germaine Greer’s Female Eunuch (1970) for certain groupings within the feminist movement, all of which were important in terms of creating a consciousness, identity and subjectivity different from that dominant at the time. It is this opposition, this construction of an adversary or enemy by social movements whereby they cast the groups or institutions against which they are in conflict, that can be seen as contributing to the constitution of an identity, and which enable them to take a position on the historical stage.

Hayek was prepared to engage in this battle of ideas in the 1930s and 1940s, even if it appeared he would be on the losing side, as it seemed for many years would be the case. Thus The Road to Serfdom, written “as a warning to the socialist intelligentsia of England,” stands as a marked instance of Hayek’s boundless belief in the power of ideas and argument and his opposition in principle to state social planning. In The Road to Serfdom, Hayek argued that Western civilisation was abandoning its traditions in moving towards collectivism; that the kinds of freedoms that, historically, had been enjoyed wherever trade and commerce had flourished were under threat. He saw socialism as incompatible with democracy, the rule of law and freedom of thought, and argued that the desire to plan pointed society in the

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428 Hayek, The Road to Serfdom iii.
429 In addition to his theoretical arguments on this point, Hayek refers to the work of his ideological rival at the LSE, Harold Laski, who had argued that parliamentary democracy should not be allowed to form an obstacle to the realisation of socialism. Hayek, The Road to Serfdom 63.
direction of increased unitary power in the hands of a group of experts and, continuing on such a course, totalitarianism – hence the book’s title. Provocatively, he contended that Britain and America were headed down the same road as Germany and other totalitarian states, and worse, that these states were the culmination of a long evolution of thought in which British and American socialists had participated and for which they must therefore take a share of the blame. Hayek argued that there was a connection between the centralisation of power and what had happened in Nazi Germany and elsewhere, and he noted that the conditions preceding totalitarianism in these societies were also present in the Britain of the time.

Hayek called for a new start. He said he had no blueprint for a liberal state, but that the starting point should be a rededication to principles that released the creative energy of individuals. He observed that while it was not possible to go back to a society modelled on the 19th century, he believed that the ideals that informed it should be refashioned for the 20th century.

He ended:

The guiding principle that a policy of freedom for the individual is the only truly progressive policy remains as true today as it was in the nineteenth century.\(^{430}\)

That his position was unpopular was no deterrent for Hayek. In fact, he had warned in an address to students in the same year as his controversial book was published that economists should be suspicious of taking the popular side. He told the LSE Students’ Union:

\(^{430}\) Ibid 240.
... the fashion is now so much to give the public what it wants rather than to warn it that it cannot have all, that it is worth remembering how much easier this is than to take the unpopular course. I think as economists we should at least always suspect ourselves if we find that we are on the popular side. It is so much easier to believe pleasant conclusions, or to trace doctrines which others like to believe, to concur in the views which are held by most people of good will, and not to disillusion enthusiasts, that the temptation to accept views which would not stand cold examination is sometimes almost irresistible.431

Hayek claimed to anticipate that the book might lose him favour, saying in the preface to The Road to Serfdom that he expected it to “offend many people with whom I wish to live on friendly terms.” While it met with sharp disapproval in a number of circles, the book which he regarded it as his “duty” to write432 gained him an esteem in others, as well as an influence that he could not have expected.

Ironically, perhaps, in light of Hayek’s warning to students about popularity, the book he wrote as a “political,”433 indeed, intentionally polemical book, has become a “popular” book.

Thus, in view of Hayek’s willingness to do battle virtually from the time of his arrival in the U.K., and the importance of The Road to Serfdom for the classical liberal movement, it is perhaps misleading for Skidelsky to assert that Hayek remained a bystander to the developing Keynesian consensus, only organising a “resistance” after the death in 1946 of Keynes, his main intellectual opponent. A more appropriate starting point for the “resistance” might be Hayek’s arrival in 1931 to join the small band of Austrian School thinkers at the LSE grouped around Robbins434 who attempted links with other such clusters, contesting what were then

432 Hayek, The Road to Serfdom xvii.
433 Ibid.
434 An earlier grouping around Edwin Cannan, who compiled what is referred to as the definitive
the central issues facing industrialised democracies. The vigorous challenge mounted by Hayek in his 1931 review of Keynes’s *Treatise on Money* (1930), which had been published at the end of the previous year, can be seen as an act of “resistance.” Indeed, it was perhaps the first blow in the intellectual struggle in which the two were to engage from that time.435

Keynes, as firm a believer in the power of ideas and intellectual engagement as Hayek and also ever prepared to enter the fray, responded equally vigorously with a reply in the next issue of the same journal. Moggridge notes that Keynes’s copy of the review by Hayek is the most heavily annotated article among the surviving copies of Keynes’s journals.436 Believing Hayek not to have read his book with the measure of goodwill an author is entitled to expect from a reader, he used his response to challenge Hayek’s recently published *Prices and Production* (1931). Keynes assessed Hayek’s work, which came nine months after his *Treatise on Money* and was based on the first lectures Hayek had given at the LSE in February 1931, thus:

> The book, as it stands, seems to me to be one of the most frightful muddles I have ever read, with scarcely a sound proposition in it beginning with page 45, and yet it remains a book of some interest, which is likely to leave its mark on the mind of the reader. It is an extraordinary example of how, starting with a mistake, a remorseless logician can end up in Bedlam. Yet Dr. Hayek has seen a vision, and though when he woke up he has made nonsense of his story by giving the wrong names to the objects which occur in it, his Khubla Khan is not

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436 Moggridge 36.
without inspiration and must set the reader thinking with the germs of an idea in his head. 437

Hayek responded with a rejoinder in the same issue, claiming that:

Instead of devoting his answer mainly to clearing up the ambiguities which I have indicated carefully and in detail, and the existence of which he cannot deny, he replies chiefly by a sweeping accusation of confusion, not to my critical article, but in another work, and even here I am unable to reply as he does not specify my confusion in any single case. 438

The two books in question represented several years’ labour for each, and this particular exchange had a further episode, but the struggle between Keynes and Hayek was not confined to economics journals such as *Economica*, it was not an esoteric academic debate, and it was not confined to Keynes and Hayek – both men had ideological sympathisers who contributed.

The debate first entered the more general public domain through a series of letters to *The Times* in 1932. Keynes and 40 other economics academics, including Arthur Pigou and mostly from Cambridge and Oxford, signed a letter arguing for both private investment and publicly funded expansionary measures. Hayek, Theodore Gregory, Arnold Plant and Robbins, then all at the LSE, responded with a joint letter of their own, arguing against further public spending. 439 There was an awareness, with many millions unemployed in the industrialised world, that the matter of whose interpretation would be accepted and become dominant was of great importance. This, aided by the fact that Keynes was an important figure close to public policy, pushed the Keynes-Hayek debate into the mainstream.

Examining the differences between the Keynesian and Hayekian interpretations of the economic situation, or in other words their different constructions of the economic world, Hicks points out that there is a “curious passage” in Keynes seeking support for his innovations in the work that at the time was being done by Hayek and others in Vienna, remarking that since the relevant publications mentioned in the Treatise on Money were all in German it appeared that Keynes had not studied them closely. Arguing that both claimed the same intellectual descent, Hicks claims that Keynes took the thinking one way and Hayek quite another. It was not easy then to gauge who was right, asserts Hicks, and it added to the confusion of those years.

Those who lined up behind Keynes were given stimulating ideas in the Treatise, but on Keynes’s admission, the arguments still needed a lot of sorting out. By contrast, argues Hicks, those in the Hayek camp were, at first impression, given a pattern of thought that looked more coherent, Keynes's comments notwithstanding. Nevertheless, argues Hicks, the British audience was presented with a model that was familiar to continental countries, but unfamiliar in the U.K., an illustration perhaps that not only does consent have to be won for ideas, but also for the very ways of thinking about them. The argument can be made that scholars are often rejected not so much on the basis of their ideas per se, but because the audience is

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441 According to Hicks, Swedish economist Knut Wicksell (1851-1926) is the common ancestor, a thinker whom Hayek used as a starting point for his own research on fluctuations, explaining the business cycle in terms of credit expansion by banks. See the “Introduction” of The Fortunes of Liberalism (The Collected Works of F.A. Hayek, Vol. IV) 4. Wicksell is not to be confused with Philip Wicksteed, who wrote The Common Sense of Political Economy (1910) – associated with the Austrian school and the argument that value is subjective and that market prices stem from the subjective values of individuals – who is claimed by some, such as Henry Hazlitt, as the person who convinced them of the merits of these arguments.
unable to conceive of a particular way of thinking. This, Hicks suggests, could be seen as a reason for the outcome of the battle between these two leading figures in the economic drama of the 1930s.

*Prices and Production* was in English, but it was not English economics. It needed further translation before it could be properly assessed.

Several of us made attempts at that translation; the journals of the nineteen-thirties are full of them. But what emerged, when we tried to put the Hayek theory into our own words, was not Hayek. There was some inner mystery to which we failed to penetrate. We absorbed Hayekian ideas (there are Hayekian influences, not only on Robbins and Robertson, but even on Harrod and Kaldor, for instance, if one looks for them) but there was something central that was missing. It is not so much that it was rejected; it slipped through our fingers.

... Hayek himself endeavoured to show us; but I do not think he succeeded. It is indeed true that by the time he made his later efforts, and had got them into print, his audience had dispersed. Keynes had spoken again, with greater clarity, to the opportunities that had been opened up by the *General Theory* and what Hayek was saying appeared to have little relevance. It was perhaps again to have relevance, later on: but before that could happen, the ‘Revolution’ would have to proceed much further on its course.

The Road to Serfdom did something to regain the audience Hayek had lost to the Keynesian position, but it also made him enemies. In a collection of autobiographical writings to be published this summer, Hayek recounts his surprise at the popular success of the book:

Though I long resisted the pull which threatened to draw me from pure theory into more practical work, it had ultimately a profound effect on my life. The immediate success in England was no less surprising than that in the United States, though it never took the spectacular form it did in the latter country. I happened to experience the top of this curious boom, since from March to May 1945, just when the book made the

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442 Listing these names in this manner presumably indicates that he influenced not only those whose position was close to that of the “Austrians” but also those more to the Keynesian side.

443 Ibid 204-205.
best-seller list, I was on a lecture tour in the U.S., which was one of the more curious experiences of my life.

The American publisher, the University of Chicago Press, had originally arranged for a five-week visit, in the course of which I should have repeated a series of three or four lectures at five major universities in the East and Middle West. While I was crossing the Atlantic in slow convoy (it was still during the war) and without communications, the condensation of the book in the Reader's Digest completely altered the position. I was suddenly if only temporarily famous, and on arrival was told that the whole plan for my visit was changed, that I was to go on a far-ranging popular tour, and that all arrangements had been put in the hands of a commercial lecture agency. So I, who had never before done any popular lecturing to large audiences, found myself the day after my arrival lecturing—without any preparation and on the subject I had not foreseen—to Town Hall, New York, and discovering to my great surprise that I could do it successfully.  

But this success did not come without setbacks. Writing in an essay in which he discusses his disputations with Keynes, Hayek recalls, too, his fall from favour in certain circles with The Road to Serfdom:

... Keynes died and became a saint; and I discredited myself by publishing The Road to Serfdom ...  

Hayek comments that the book's publication completely changed the situation reinforce a reading that The Road to Serfdom had the kind of impact that other key texts have had for their associated social movements.

Indeed, if social movements are seen as intricate and ever-changing social dramas, with each stage in the movement requiring both subtle and blunt changes in acts, scenes, agents, agencies, and purposes, this chapter argues that the period from Hayek’s arrival in Britain in 1931 to the publication in 1944 of his polemical anti-state-interventionist work warning

444 Hayek, “A Parting in the Road,” 103.
445 Ibid.
against social planning, provocatively dedicated “to the socialists of all parties,” is the opening scene – the gestation period of the movement – and thus, to adapt Skidelsky’s framing, the beginning of the “resistance.” It was in this period that the movement was to establish its roots, cultivate its world-view and define its goals, at the same time identifying its allies and enemies and the ideas which it opposed.

For Eyerman and Jamison a social movement cannot come into being until there exists a new conceptual space in which the fundamental contradictions and tensions in society have been formulated, and an alternative and opposing theme articulated. This process is characterised by uncertainty, and involves many contingencies, one of the most important being the ability of what they call “movement intellectuals” to formulate the knowledge interests of the emergent social movement. These movement intellectuals who, Eyerman and Jamison argue, are not necessarily those intellectuals legitimised as such by cultural institutions, instead emerge in the locations, organisations and networks which make up the movement. They create the movement in that they are the organisers, mobilisers, spokespersons and publicists for it; in other words, it is they who articulate the movement’s alternative way of seeing and its collective identity, constructing what Eyerman and Jamison call its knowledge interests.

The role played by movement intellectuals is crucial, in that in Eyerman and Jamison’s view, no social movement can emerge until individuals are ready to take part in it, and to enter into a process of collective identity formation.

No matter how objectively necessary a social movement might appear to be, real individuals must make it happen.\textsuperscript{448}

Among those committed to the same position, Hayek emerged in the 1930s and 1940s as one of the key individuals ready to "make it happen." Hayek and others were articulating a theme counter to the dominant one on the relationship linking the individual, state and society, and warning of the potential dangers of large-scale state intervention and social planning to the progress of society, in other words, posing large-scale state intervention as the enemy of the good society. Indeed, they argued that it was counterproductive, and characterised the ambition of the social planner as presumptuous – Hayek going so far as to represent it as a "conceit."\textsuperscript{449}

Taking on the role of creating and building up a movement for the winning of consent for a more market-based social order and limited government, Hayek contributed to its movement from the margins to the centre of an historic stage. He became its chief mobiliser, its symbolic head, and was recognised as such by fellow activists and intellectuals in the movement.

Hayek, who had fought in the First World War and lived in the time of hyperinflation in Vienna following it, believed the postwar period to be decisive. It was important for him that the dangers of extending wartime controls be appreciated and that they therefore be abolished rather than expanded in peacetime.

These same motifs which run through his English-language canon and which appear in his provocative \textit{The Road to Serfdom} are already evident in Hayek's inaugural LSE lecture in

\textsuperscript{448} Ibid.
\textsuperscript{449} This theme of what he saw as conceit on the part of those who believed in social engineering, undertaken by those who proffered themselves as experts, is still a theme in the last of his works, \textit{The Fatal Conceit}.  

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1931. Hayek constructs the figure of an economist in a dilemma as a result of being caught in a contradiction between means and ends. Given his account related earlier of how he had turned to economics because he was “half a socialist” and “crying for social justice,” believing that socialism could alleviate that which had brought him to the discipline in the first place, it appears the figure he paints in this speech could be seen as somewhat autobiographical.

... the economist frequently finds himself in disagreement in regards to means with those with whom he is in agreement with regards to ends; and in agreement in regards to means with those whose views regarding ends are entirely antipathetic to him — men who have never felt the urge to reconstruct the world and who frequently support the forces of stability only for reasons of stability. In such a situation, it is perhaps inevitable that he should become the object of dislike and suspicion. But, if he recognises the circumstance from which they spring, he will be able to bear them with patience and understanding, confident that he possesses in his scientific knowledge a solvent for differences which are really intellectual, and that although, at present, his activities have little effect, yet in course of time they will come to be recognised as serving more consistently than the activities of those he opposes, the ends which they share in common.450

The first attempt to launch a movement in 1938 having been stalled by the war, the plans of the liberals and those to whom Hayek would later refer in organisation documents as libertarians had to wait until nine years later, when 12 of the 26 who had gone to Paris joined others in Switzerland to form the Mont Pèlerin Society.

This initial formation had been inspired by Walter Lippmann’s An Inquiry into the Principles of the Good Society (1937),451 as discussed in the previous section, which had recently been

450 Inaugural lecture delivered at the London School of Economics and Political Science on March 1, 1933, and which is included in The Trend of Economic Thinking (The Collected Works of F.A. Hayek Vol. IV) (London: Routledge, 1984) 34.

translated into French under the title *La Cite Libre* and had, in turn, inspired Rougier to organise the international meeting of liberals in Paris with the aim of forming a movement for the revival of liberalism. Lippmann’s basic premise that no human being or group of human beings could know or grasp their social world and his distaste for governmental power were sentiments with which Hayek could identify. Indeed, a number of movement actors see Lippmann’s book as acting to raise consciousness in the same way in which *The Road to Serfdom* was later to do. At this gathering, the *Centre International D’Etudes pour la Renovation du Liberalisme* was formed.

According to Hartwell, the 1938 colloquium had centred on the decline of liberalism, on whether liberalism could deal effectively with social problems, and on whether it was possible to revive liberalism, or necessary to accept its decline as inevitable.\(^{452}\) While the grouping met again in early 1939, it disbanded once war was declared, and was never revived in that form.

Among the decisions of the *Colloque Lippmann* were that Hayek was to be charged with the task of organising a British section and Röpke a Swiss section. An agenda and springboard for further action had been provided. Rougier was later to describe the published proceedings of the *Colloque* as “the Magna Carta of liberalism.”\(^{453}\)

Hayek and Röpke were to parlay and transform this involvement arguing for a liberal social order into activities in other fora. Röpke’s campaign became to establish an international journal of liberalism; Hayek’s to establish an international grouping of liberals. Indeed,

\(^{452}\) From the manuscript by Hartwell. This manuscript and documents in the Hayek and Mont Pèlerin Society files at the Hoover Institution at Stanford are the sources for this material on the Mont Pèlerin Society.

\(^{453}\) Quoted by Hartwell.
according to Hartwell, money that Röpke had already begun to collect for his proposed project was later to help pay for the first meeting of the Mont Pèlerin Society, to which Lippmann was invited but which he did not attend. The task of reformulating and reviving liberalism was taken up after the war ended with the formation of the Mont Pèlerin Society in 1947.
CHAPTER 8

The Period of Formation, 1944 to 1957: Organising the Base

Is Hayek’s arrival at the LSE in 1931 the decisive event in the campaign against large-scale state intervention and for a more market-based social order? Or is it the publication in 1944 of *The Road to Serfdom*, which was then published in an abbreviated form in *The Reader’s Digest* in 1945? The establishment of the Mont Pèlerin Society in April 1947? The creation of the Hayek-inspired Institute of Economic Affairs (IEA) in 1955 by Fisher? The importance to the IEA’s success of the contribution made by the combination of its general and editorial directors, Harris and Seldon? Or the project of reproduction of this Hayek-inspired research and policy institute model in other geographical locations internationally?

As discussed in reference to Hall in Part One, a decisive date or event for a social movement can be as elusive as a beginning, for movements emerge far from fully formed, and in the case of the campaign for limited government and a more market-based order it is better to think in terms of a set of key moments. However, as argued by Eyerman and Jamison, among others, demarcating phases can facilitate the grasping of various aspects to the process through which the movement is created. Which, then, should be set as the key organisational event with which to demarcate the start of the second, the formation or mobilisation phase? Using the chosen social movements approach entails thinking in terms of process, and thus viewing not one key event but a series of moments as important to the development of a movement.

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The material for this section comes from archival material at the LSE; material related to Hayek and the Mont Pèlerin Society lodged at the Hoover Institution at Stanford; interviews with movement actors and others associated through study or otherwise with these movement actors; and from the unpublished manuscript of a study of the Mont Pèlerin written for future publication by Max Hartwell, the current president of this organisation.
Indeed, this view is illustrated in the description of Hayek himself of how various aspects contributed to the success of the campaign. Discussing the increased interest in market liberalism in 1983, Hayek isolates aspects of significance which suggest that he, too, sees a good number of factors as responsible for the success of the movement in which he was involved.\footnote{\label{footnote:hayek1983}A lecture given at a symposium on February 1-2, 1983 in Bonn-Bad Godesberg, Germany, and quoted in The Fortunes of Liberalism, Ed. Peter G. Klein (London: Routledge, 1992) 185.} Acknowledging that Americans seemed to have made the choice of 1944, the year of the publication of The Road to Serfdom, “as the decisive date,” Hayek nevertheless proposes others as well— the founding of the Mont Pèlerin in April 1947 and the creation by Fisher of the London-based IEA in 1955.

In any event, Hayek considered all these developments to be interrelated, and he argued that even two moments as important as the publication of The Road to Serfdom and the establishment of the Mont Pèlerin Society could not be separated. He explained the Mont Pèlerin as:

... the really serious endeavour among intellectuals to bring about the rehabilitation of the idea of personal freedom especially in the economic realm.\footnote{\label{footnote:hayek1956}F.A. Hayek, “The Rediscovery of Freedom,” The Fortunes of Liberalism 192.}

Yet Hayek recounts how the idea of forming a grouping of movement intellectuals actually flowed from the publication of The Road to Serfdom. He says that following publication of the book, he was invited to give many lectures in venues both in Europe and the United States where he would meet people who voiced agreement with his position but spoke of a feeling of isolation in holding these views.
This gave me the idea of bringing these people, each of whom was living in great solitude, together in one place.\textsuperscript{457}

To this end, Hayek in 1946 circulated ideas for an organisation to 58 people, taking responsibility for both the choice of participants and the programme.

The list of people invited to what was called, after much deliberation, the Mont Pèlerin Society, was in fact made up, he says, of the “isolated human beings” whom he had met – those who had spoken of feeling increasingly set apart from their contemporary context with its growing agreement around the need for large-scale state intervention. Hayek observes that these people:

\ldots complained that they had found nobody with whom they could discuss their problems.\textsuperscript{458}

Response to Hayek’s circular was good, but not all could attend, travel being considerably more difficult in the 1940s when intercontinental journeys had to be by sea. Rather than waiting, however, Hayek went ahead and made arrangements for the group to meet in Switzerland.

Hayek wanted to combine the talents of these isolated liberals in a more effective way. On the intellectual side, he believed a new version of liberalism had to be written. Liberalism had to be thought about, it had to come to terms with certain real problems that had become important since liberal theory had been formalised.

\textsuperscript{457} Ibid 191. Hartwell concurs that this perception of the liberals’ isolation was responsible for the practical reason behind the establishment of the Mont Pèlerin. His statements and views in this section are from his manuscript on the history of the Mont Pèlerin Society, and from an interview with him in Oxford in April 1993.

\textsuperscript{458} Ibid.
In what Hayek conceived of as an exciting experiment, he brought together what he referred to as various "libertarian" groups working separately, but with similar aims, in different countries. Indeed, a letter from Friedman accepting Hayek’s invitation to attend the first Mont Pèlerin meeting illustrates this isolation. He noted that a number of the names on the list were unfamiliar to the cluster of the like-minded at Chicago such as Director, Knight and himself, observing that it is:

"... unfortunate, to say the least, that we should know so little about the work of Europeans in the same tradition."

There were at that time various groupings of liberals in Europe and the United States.

In Britain, a grouping mostly of the Austrian School persuasion was centred at the LSE, where Hayek was a key figure. These were a significant band of devotees to the classical liberal tradition, especially during the interwar years, first under Edwin Cannan and later Robbins. Their ranks, then and later, included Ronald Coase, fellow Austrian national Popper, Plant, Gregory, William Hutt, Frank Paish, S. Herbert Frankel and Frederick Benham. When Gregory – another important intellectual rival to Keynes in the economic journals – went to Greece, Hutt and Frankel to South Africa and Benham to Singapore and Australia, they extended the influence of their ideas. Another grouping at Manchester included John Jewkes – a founding member and one of the presidents of the Mont Pèlerin Society – T.S. Ashton and Michael Polanyi. An Austrian group which had its origins in the economic seminar mentioned in Part Two was more scattered than clustered in a particular geographical location, and included Mises and his student Machlup, who were then resident in the U.S. – Mises in New

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459 The full list of those who participated in the first Mont Pèlerin meeting is included in Appendix I.
460 Letter from Friedman to Hayek dated January 2, 1947 included in Hayek’s papers at Stanford. Collection title: F.A. Hayek, Box number 73, Folder ID 40.
York and Machlup at Johns Hopkins and later Princeton. The French grouping of liberals was centred on Paris and included Rougier, who had been behind the 1938 Paris meeting. The American grouping was centred on Chicago and Knight, and included Friedman, Stigler and Director. Another grouping of liberals was located in Germany. Some were in Freiburg, this cluster being the most influential of the German groups and including figures such as Walter Eucken and Röpke. It was this grouping which was mainly responsible for the notion of the social market economy, a concept which was to have influence later with some social democrats. In fact, it was to be a notion discussed in a pamphlet Why Britain Needs a Social Market Economy, published in 1975 by the Centre for Policy Studies which had been set up a year earlier by Thatcher and Keith Joseph. Another cluster of liberals was located at Munich, including Ludwig Erhard.

The gathering took a permanent form at the end of the inaugural meeting when, on April 8 1947, members approved a statement of aims, a text which is unchanged almost 50 years later despite significant changes to the makeup of the membership and its almost tenfold growth.

Hayek believed this forum should take shape in an organisation halfway between a scholarly institution and a political society (a description of think-tanks not dissimilar to Warsh’s in Part One) and should be international. The view prevailed that short-term political engagement should be avoided and that an intellectual campaign of a protracted nature was called for, and thus the Mont Pèlerin Society did not become the active political lobby group that some of the participants had argued for. Hayek also stresses the collective aspects of the society, noting

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461 See Appendix III.
the support he received in its organisation and development from fellow members Röpke and Mises.

From its inception the Mont Pèlerin Society provided movement intellectuals with that space from which to create a sense of solidarity and collective identity and develop an alternative liberal subjectivity while reformulating a liberalism for the 20th century. Hartwell describes its meetings as giving reassurance, comfort and camaraderie to individual liberals when they were few in number and geographically isolated, thereby strengthening their belief and resolve. He quotes Hayek thus:

I am perfectly confident that each of us has been enabled to persist in his efforts and to do it with more confidence and more satisfaction, because we had the comfort of knowing that we could agree about its intellectual justification at least with some people.\textsuperscript{462}

Mont Pèlerin members interviewed for this study confirm the sense of solidarity which came from these meetings, especially in the first 10 to 15 years, as well as the importance of this forum in facilitating the growth of the network of research and policy institutes.\textsuperscript{463} This was achieved, for example, through swapping resources such as strategies and sharing advisory board members. The meetings provided an opportunity for the movement intellectuals to get together under circumstances where they did not feel under attack, and where they could discuss ideas freely, they observe. Papers which would be published later, such as Hayek’s “Why I Am Not a Conservative,” included as an appendix to The Constitution of Liberty.

\textsuperscript{462} In a Mont Pèlerin Society Newsletter of April 1973.
\textsuperscript{463} The importance of the Mont Pèlerin was, of course, a question asked of most of those interviewed during the entire research period for this project, as listed in the appendix. Those interviewed at the Mont Pèlerin meeting in August-September 1992 on this issue included Friedman, Walters, Buchanan, Harris, Seldon, Butler, Blundell, and Liggio.
would either be presented or circulated at Mont Pèlerin meetings. It frequently happened, too, that drafts were sent to others in the network, as illustrated in a letter from Hayek to Graham Hutton in January 1957 in which he asks him to read “a fairly big book on the principles of liberty” – presumably referring to what was to become *The Constitution of Liberty*.464

Had there not been an organisation such as the Mont Pèlerin Society, it was observed, these intellectuals might perhaps have felt too isolated to continue the battle for limited government. Those who felt they were achieving little in the contest against state-interventionist Keynesian ideas in their particular location were able at least to see others who were moving ahead on that front, they say.

Members of the Mont Pèlerin and those located in institutes alike believe the mostly annual meetings speeded up and intensified the progress of institute formation. The understanding that good ideas relating to aspects such as strategy were to be shared provided a climate of fertilisation in which, for example, those interested in setting up institutes could draw on the expertise of others already involved in them, and acquire valuable information on potential sources of funds. Mont Pèlerin meetings were seen as offering an international talent bank of intellectuals and activists for those requiring new members for their institutes, or looking for people they could invite to deliver papers or speeches. Indeed, the work of a number of the founding members, for example Popper, has been influential, contributing to defining the fields in which they operated.

The meetings also offered members the opportunity to get to know Hayek and increase their facility with the ideas being formulated within the movement. In certain cases institutes were able to arrange for figures such as Hayek, Friedman or Buchanan to visit them, increasing the profile of their ideas and of Hayek and the institute alike. Often by virtue of their membership in the movement, those in the network of institutes would be able to bring in these figures without being burdened with the expenses that they could command on the academic circuit.

At the same time, work went into developing a political strategy of action. In a 1954 letter inviting Fisher to join the Mont Pèlerin, Hayek explained the purpose of the organisation in terms of two aspects – knowledge and identity creation, on the one hand, and political action on the other. Hayek remarked that the Mont Pèlerin provided an opportunity for members to learn as much as possible from each other which might help them “fight more effectively for the cause of personal freedom.” This combination of knowledge interest and political action is for Eyerman and Jamison the mark of a contemporary social movement.

An orthodoxy should not, however, be allowed to develop, the Mont Pèlerin members stressed. The 37 men and one woman who drafted the statement of aims emphasised that they did not intend to create one.

The group does not aspire to conduct propaganda. It seeks to establish no meticulous and hampering orthodoxy. Its object is solely, by facilitating the exchange of views among minds inspired by certain ideals and broad conceptions held in common, to contribute to the preservation and improvement of the free society.

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465 Letter from Hayek to Fisher dated October 1954 at Stanford included in Collection title: F.A. Hayek, Box number 73, Folder ID 33.
467 The Mont Pèlerin Society's Aims of the Society, included in Hayek's papers at Stanford. Collection title: F.A. Hayek, Box number 1, Folder ID: Correspondence 1947-1948, A to PQ. See
The statement indicates that the early members saw the organisation they had formed as playing a role in countering by “intellectual argument” what they perceived as an “ideological movement,” referring to the state interventionist position. More than one position on this was expressed at the inaugural meeting, as might be expected of those professing a liberal position. A number of those interviewed, however, saw the annual Mont Pèlerin meeting and others as a marketplace of ideas where, after experimentation, the best ideas survived. As one participant later wrote of the first meeting, “while united in purpose Mont Pèlerin was far from being a united group in what Plato dubbed ‘opinion’,” a point also made by Cowling and referred to in Chapter 1.

Nor was it even agreed that this vigorous debate was a good thing. As with most groupings associated with collective action, there were those among the activists who wished to see a line toed, rather than negotiation, contestation and debate. For Leonard Read, too many differences were aired. Noting that the initial group was hand-picked by Hayek and that Hayek’s object was worthy, Read nevertheless believed that, a dozen or so people excluded, those attending were not sufficiently strongly opposed to state intervention and held positions that ranged too widely.

Current Mont Pèlerin president Hartwell says there are no detailed records of discussion at the 1947 meeting, but some surviving papers presented there indicate the participants were

Appendix.

468 Article entitled “Reflections of Mont Pèlerin,” undated and unsigned, including a covering letter to “Paul,” who is not identified further, signed John Davenport. The letter’s date is difficult to read but seems to be December 29, 1980.

concerned with postwar issues, although the pervasive theme was the nature of liberalism and the principles on which it was based. The debates consisted of questions around some of the following: Was economic liberalism enough? Should liberalism be tempered with humanitarianism? Without a minimum of solidarity, is human society possible? How should the goal of progress be considered against security? The goal of equality against efficiency? Solidarity against individualism?

While there were some who took a libertarian stance on all the issues, others took positions fairly widely spread across the spectrum, including the belief that an uncontrolled competitive system could harm certain valuable institutions. According to Hartwell, there was agreement on one thing, however — the best way to ensure liberty was through the rule of law and a constitutional framework that protected the liberties of the individual and restricted the powers of government, although it was accepted that there were some unspecified goods and services that could best be provided by government. From this account and those of other liberals interviewed for this project, the general position emerged that the question they pose is whether the market can best provide a particular good, without presupposing an answer in the affirmative.

The relationship of liberalism to religion was debated, this proving controversial as well, with Knight, as one participant put it later, finding occasion to launch an attack against his favourite “bête noire, the clergy, with all the vehemence of a Voltaire.” Some viewed religion as intolerant and therefore in contradiction to liberalism. Others believed it might be necessary
to bridge any gap between liberals and Christians so as to increase the support for liberalism, while others still found the very debate itself upsetting, owing to their religious sensibilities.

Hayek apparently kept to the middle ground at this feisty 1947 gathering, as he seemed often to do with a mind to keeping the group together, finding and reinforcing unstable alliances rather than straining them, indeed, in what could be seen as Gramscian fashion. He seems not to have articulated vigorously his reservations about religion, and he maintained a similar stance within the Mont Pèlerin in regard to his reservations about macroeconomics. In a letter in 1985 he acknowledged the problems with macroeconomic analysis but says he sees it as a “very delicate matter” on which he has avoided stating his views too bluntly, believing he would not have time to state them adequately. The difficulty, says Hayek:

... is the constant danger that the Mont Pèlerin Society might split into a Friedmanite and a Hayekian wing. I have long regretted my failure to take time to criticize Friedman’s Positive Economics almost as much as my failure to return to the critique of Keynes’s General Theory after I had dealt with his Treatise. It still seems to me paradoxical that Keynes, who was rather contemptuous of econometrics, should have become the main source of the revival of macroeconomics – which incidentally was also the reason why Milton was for a time a Keynesian. I believe a good and detailed critical analysis of macroeconomics would be very desirable, but at the moment I do not know who to suggest as the person who could do it really well ...

The diversity of opinion within the Mont Pèlerin prevails. Some members are Austrians, others monetarists – two groupings who often disagree on such matters as the Austrian scepticism about the introduction of mathematics into economics and the appropriateness of regulating the money supply, as illustrated by the remarks above. There is the continuing

470 Letter from Hayek to Seldon, dated May 13, 1985, included with Hayek’s correspondence at Stanford University. Collection title: F.A. Hayek, Box number 27, Folder ID 6, IHS and IEA.
concern about the conservative religious tones in certain of the wider movement’s North American manifestations, and indeed with those who articulate a hard-line, law-and-order discourse generally. A position elevating the authoritative voice is seen as being at odds with the liberal position that governments should get off people’s backs because they don’t have any special authority or knowledge. This perspective is in accordance with a contemporary critical view emphasising uncertainty which is gaining currency, a view aimed at “de-expertising” social life, and a case could be made that the liberal perspective facilitated, if not inspired it. Another dispute within the MPS has been the common, enduring disagreement over the importance of gold as an economic determinant. These differences between members and groups within the movement reinforce the argument that movements are fragile, often unstable alliances of various groupings, rather than monolithic, constant entities – an insight as pertinent for the New Right as any other social movement. What, then, keeps Mont Pèlerin members together? Despite the uneasy mix and accompanying tensions, there is a general scepticism of government and its ability to predict and control, they usually reply.

Its members see the Mont Pèlerin as having been extremely important during the early postwar years when the isolation was so great as to inspire a virtual siege mentality. However, getting to Mont Pèlerin meetings was no easy task then. Travelling times were far greater, and by their accounts the American participants at the inaugural meeting remember well their voyage by ship across the Atlantic. In addition, British members faced exchange control restrictions which made travelling outside of the U.K. very difficult, a problem that was
somewhat alleviated by the help members could get from those living elsewhere. Maintaining
contact was a difficult task during those early years.

Hartwell sees the most substantial achievements of the first meeting in these terms:

... the beginning of a critical analysis of the role of
government, the recognition of the need for "a constitution of
liberty," and a start to the rewriting of history to dispel its
propaganda and myths.471

Hartwell notes that at the meetings that followed, issues were clarified and analysis sharpened,
resulting in the increasing effectiveness of the liberal criticism of current trends. The core
objective, irrespective of the issues debated at the various meetings, was always how the
battle of ideas was to be won.

There were those who wanted the society to develop as a more active political lobby for
liberalism, but others, like Hayek, held the position that if a liberalism for the 20th century was
to survive in the marketplace of ideas the battle of ideas must first be won.

At Mont Pèlerin Society meetings there are generally several sessions, with at least one paper
being presented in each. Appendix II illustrates the recurrence of themes during the period
1947 to 1989. Not surprisingly, they are often linked to developments in the wider society.
Taking the 1992 meeting in Vancouver as an example, there were 14 general sessions, as well
as an opening address by then president Gary Becker, an annual general meeting, board of
directors' meeting, and two tribute sessions for deceased members – one for Stigler and one
for Hayek, two of the society's six Nobel Prize winners.

471 Hartwell 14.
Hartwell demarcates three administrative periods in the society’s history, distinguished from one another by organisational changes. The early period, 1947 to 1960, ended in crisis and the constitution was rewritten in the period 1962-1964, the new document being adopted in Semmering, Austria in September, 1964. A serious dispute had developed over the style and management of the society, with founder member Albert Hunold at its centre. Despite the fact that it was significant enough at the time to threaten the survival of the organisation, this conflict does not warrant detailed consideration here given the focus of the study.\textsuperscript{472}

The 1960s were thus a period of self-examination and of uncertainty about aims, finances and organisation, but the period since the early 1970s has witnessed no crisis of management and seen successful development, according to Hartwell. The popularity of meetings has increased, and the older membership has been easily replaced with a growing younger membership from more parts of the world.

In terms of its intellectual chronology, the society’s concern in the 1950s was more with labour, agriculture and ideology than in other decades. In the 1950s and 1960s the emphasis was on development, in the 1970s on fiscal and financial problems and in the 1980s on the welfare state and the introduction of law — a development which coincided with a wider development of law and economics as linked disciplines in the academy. In addition, entire meetings have been, in certain cases, devoted to particular topics. For example, in 1970 the

\textsuperscript{472} In a letter to the membership dated May 1962, acting president Jewkes wrote that “… members must by now be utterly weary of this controversy.” John Jewkes, “To all Members of the Mont Pèlerin Society,” letter in F.A. Hayek collection at the Hoover Institution. Collection: F.A. Hayek; Box number 76; Folder ID 12.
topic was the entrepreneur, and in 1976, the bicentenary of *The Wealth of Nations*, it was Adam Smith.

Founder member Hunold – later involved in the internal crisis referred to above – wrote to Mises the year after the inaugural meeting and said he saw the fledgling organisation as having the potential to play a:

> ... very important role in the ideological fight against collectivism.\(^{473}\)

Important in this process, wrote Hunold, would be the development of the organisational sides and the creation of an institutional framework to facilitate membership contact and discussion. The network of research and policy institutes that grew alongside the Mont Pèlerin became such sites and another important part of this institutional framework, something that was at the front of Hayek’s mind as well, so much so in fact that Hayek refers to the establishment of the IEA as another key organisational event. The two, the Mont Pèlerin and the IEA, were indeed closely connected, says Hayek: the IEA was a “second development along the same lines.”\(^{474}\) He relates how he was approached by a young English pilot who had returned from the war and wished to “thwart the ominous growth of socialism.” Recounting their meeting at the LSE, he says:

> I had considerable trouble persuading him that mass propaganda was futile and that the task consisted rather of convincing intellectuals. To accompany this we needed to develop an easily understood economic interpretation of the preconditions of liberty, which would require the establishment of institutions geared to that segment of the middle class that I then called, part maliciously and part facetiously, the “secondhand dealers of ideas”, a group of decisive importance

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\(^{473}\) Letter from Hunold to Mises dated January 29, 1948. Box number 1, Folder ID: Correspondence 1947-1948, A to PQ.

because it determines what the masses think. I convinced this man by the name of Antony Fisher of the need to establish such an institution, which led to the founding of the Institute of Economic Affairs in London. Its progress was very slow at first, but today it is not only enormously influential but also serves as the model for a whole set of comparable institutions scattered around the entire western half of the globe, from which sound ideas emanate.475

Hayek, using the notion of intellectuals comprehensively to include all those who perform roles as intermediaries in the spreading of ideas, believed that social transformation come about through the thinking of active intellectuals who develop a critical sense and through organisation and strategy transform it into a more general common sense, and in his category of “secondhand dealers of ideas” he included journalists, academics, teachers, cartoonists, artists and other professionals.476 This intellectual process, Hayek argued, was one requiring long-term commitment and a protracted campaign – since it would take some time for the ideas to become a political force affecting policy. It was through this long-term process of agency that social structures were changed.

Fisher, born in London in 1915, had been educated at Eton and Cambridge and had been a pilot in the Royal Air Force from 1939 to 1945. In a letter, Fisher says that he came to see Hayek in mid-1945 after reading The Road to Serfdom and that Hayek gave him the advice to “keep out of politics and make your case amongst the intellectuals.”477 It was a decade before he was equipped financially to act on the advice, which he did with the setting up of a “factory of ideas” in the form of the IEA in 1955, a year after attending his first MPS meeting.

477 Letter from Fisher to Hayek dated January 15, 1985 which is among Hayek’s papers. Collection title: F.A. Hayek, Box number 19, Folder ID: 9 A Fisher Correspondence.
However, this earlier lack of resources had not stopped Fisher entering the battle of ideas. Newspaper cuttings show that he was active from 1952. In an article in the newspaper *The City Press* entitled "Ted Leather – the Wooly Headed Tory" in which he speaks of debating "the Canadian-born Conservative M.P. Ted Leather in the U.S. on ‘The Welfare State’," he notes that it did not surprise him that a Conservative M.P. was prepared to defend the welfare state, presumably indicating by that the consensus that prevailed around the idea of the Keynesian welfare state. The Conservatives were in power in this year, having been elected in 1951 under Winston Churchill, and would remain in power until October 1964, when Labour won under Harold Wilson. Another article, "Stand Up and Fight," appeared in the same newspaper, in which he argued for the position he would champion through the IEA and for the network of think-tanks that would develop from it.478

Fisher had made money introducing sophisticated production methods to the breeding of chickens in Britain, forming Buxted Chicken Company in 1954, the same year he became a member of the Mont Pèlerin Society. This provided him with financial resources which had not been available to him when he first visited Hayek at the LSE. The initial meeting of the IEA trustees was held on November 9, 1955, with Fisher, Smedley and J.S. Harding present.

After the signing of the trust deeds establishing the IEA as a charitable institution in 1955, Fisher began negotiating with Harris, who took on the job as general director part-time at £600 a year at the beginning of January 1957, making up the rest of his income through freelance journalism. In a letter to Harris on June 7, 1956 asking him whether he would be

prepared to act as director of the IEA, for which "to begin with there could not be any payment except perhaps a very nominal sum," Fisher had stressed the position of independence on which the IEA would insist.

Our strength lies in the fact that we are not beholden to politics, that we are out to seek and spread the truth. We are not beholden therefore to any political history or any particular business gimmick. Everything we do must be of the very topmost quality and carry the stamp of complete sincerity and integrity.\(^{479}\)

Fisher had first met Harris when he went to listen to a lecture of his in 1949, telling him about his ideas for an organisation to make the liberal case to intellectuals, should he find the money. Harris, who was lecturing at St. Andrews in Scotland and later wrote editorials at the Glasgow Herald, was immediately interested and offered his services in the event an organisation should be established.\(^{480}\)

Seldon, another important figure in the development of the IEA, was a Londoner like Harris – Seldon from the East End, Harris from Tottenham, both working class areas – and, like Harris, he stresses his modest origins. Seldon, born in 1916, and who had graduated from the LSE in 1937, had been in contact with the IEA as early as 1956, when he was approached by one of the IEA Advisory Council members to write a paper on pensions titled Pensions in a Free Society, which was published in July 1957.\(^{481}\) This was the IEA’s second publication and was in the style which was to set the tone for the future. Harris describes IEA publications as

\(^{479}\) Antony Fisher to Ralph Harris, addressed 3 Gillespie Terrace, St. Andrews, Fifeshire, and dated June 7, 1956, which was included in letters kept by the Whetstones at their home in England.


not "polemical but well researched and documented. Facts and figures – not theory – won us acclaim in the early days and led to meetings with editors and journalists."^482

Although it was in 1957 after the arrival of Harris and Seldon that the IEA began its publishing and other activities in earnest, there was prior activity, notably the publication of "The Free Convertibility of Sterling" by George Winder, a review of which was written by Henry Hazlitt in *Newsweek* on July 25, 1955, which in part helped its sales. Hazlitt claimed it was "the most lucid, thorough, and uncompromising protest against continuation of British exchange control" that he had ever read.^483

Fisher seemingly later sent this review to Hayek, for it appears among his papers with a marginal note from Fisher saying it had been the first press "write-up" for the IEA, the 2,000 copies published world-wide having sold out in about three months. Fisher noted that Thatcher had abolished exchange control in September 1979.^484

This paper 10 years after the war was one of the first calls for the abolition of Britain's exchange control regulations. The IEA later repeated the call with the publication of *Exchange Control for Ever?* and, notes John Wood, thus pointing to a contribution to policy change, "abolition took place eight months later!"^485

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^482 Ibid 33.


^484 Review of Hazlitt article with marginal notes by Fisher. Collection title: F.A. Hayek, Box number 73, Folder ID 33.

Indeed, when travelling to other countries Hayek had felt personally the effects of this particular British control which liberals were later arguing should be abolished. In 1949, when travelling to the U.S., Hayek had been forced to ask for help from the Foundation for Economic Education (FEE) and fellow participants in the 1947 Mont Pèlerin meeting. Hayek wrote to Read, president of FEE, for help with American currency, since British foreign exchange control severely limited the funds that nationals were allowed to take out of the country and meant that he would arrive “in New York practically penniless.”

The institute FEE, located at Irvington-on-Hudson, New York, was established in 1946 by Read as an institution that would confront “the array of officialdom,” by which was meant postwar legislation and official regulatory bodies such as the IMF. It was closely associated with both Mises and Hazlitt, as well as the ideas of Hayek. Fisher had been in contact with this institute and in the 1956 letter to Harris suggested that he visit FEE, which had helped the IEA with the distribution of its first book the year before. FEE was engaged in publishing as well as organising speeches, lectures and mentoring students, often giving students library material for use in debates. Different in emphasis from the Hayek-inspired Fisher network of institutes, FEE’s goals were to re-establish the classical liberal tradition and to disseminate it to a lay audience, where the Hayek/Fisher approach was to influence the intellectuals, who would then go on to influence a wider group. Like Hayek, it stressed the limitations of knowledge.

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government and market-based approaches, the audience FEE targets is slightly different, tending as it does towards a more popular involvement.

Referring to his belief in the importance of second-hand dealers in ideas which he had stressed when he and Fisher first met, Hayek, in an address delivered by telephone in 1980 to an audience in San Francisco, speaks of how fortunate Fisher was to have found at the first attempt the combination of the two exceptional men for his “factory for ideas.” Describing Fisher, too, as a genius in organising, Hayek continues to observe that:

For the London Institute of Economic Affairs, the first of what is now quite a substantial group of institutes, he [Fisher] found an ideal combination in the two directors, young men as they were then, one a genius in organisation, the other a perfect editor. I believe in these close to 30 years that the Institute of Economic Affairs has now worked, it has done more than any similar institution has achieved in penetrating into the main issues into which the Socialist tendencies of our time have been tending to slant general opinion.\(^{488}\)

Thus, with these three key events isolated by Hayek during the period 1944 to 1957 — publication of The Road to Serfdom, the founding of the Mont Pèlerin Society and the establishment of the IEA — the phase which this study identifies as the period of formation is demarcated, a period ending with the 10th anniversary of the Mont Pèlerin.

The backdrop for the creation of this organisational base is the fulfilment of the Keynesian welfare state in postwar Britain and its equivalent in other countries such as Canada and the United States. This is the context against which must be read the activities of those intellectuals and activists challenging the interventionist state, as argued in the preceding

\(^{488}\) A typed transcript of remarks by Hayek in an address delivered by telephone at the Stanford Court Hotel, San Francisco, September 24, 1980, found with some of Fisher’s papers at the home of his daughter, Linda, and son-in-law, Francis Whetstone, in England.
Following Eyerman and Jamison, it is by placing in political historical context the cognitive praxis, by which they refer to the process which transforms groups of individuals into a social movement, that the connection to social change is highlighted. Through this approach the movement can be seen as a struggle against changes in attitude that had taken place, and against policy changes that were taking place, also illustrating how the intellectual campaign by these intellectuals and activists was in turn connected to later changes in which market-based approaches to policy became more prevalent.

Hartwell, in his writing on the prehistory of the Mont Pèlerin Society, sees its establishment in terms of the growth of government in nation states during the twentieth century – the enlargement of the public domain as against individual responsibilities and functions – and the politicisation of society. He argues that most aspects of social and economic life have been subjected to increasing political control, with freedoms gained in previous centuries having contracted, a phenomenon he sees as happening universally, with governments having grown everywhere. He stresses that governmental growth is by no means a uniquely twentieth century phenomenon, rather that the 19th century is the exception; indeed, that historically societies have been dominated by unrepresentative and coercive governments and rulers.

His rendition of this increase in governmentality has a ring of the Foucauldian to it, and given this similarity, Foucault’s advice to students to read Hayek and Mises, as discussed in the concluding chapter in Part Four, is not as surprising at it may at first appear to be.

There is practically no area of English life into which the government does not now intrude, and there are some areas in which government is dominant – in health provision, for example. From the registration of birth to the registration of death, every individual is documented, advised, informed,
disciplined, educated, trained, indoctrinated, measured, counted, made healthy and often employed by the state. There are, today, not only in England but also in the other "free" societies of the world, few aspects of life which are not subjected to government influence, scrutiny, advice, regulation or control. All issues and all problems have moved into the public domain; they have become politicised and subject to political investigation, debate and treatment.  

Hartwell argues that the growth of government and the politicisation of society are part of the same process, part cause, part effect, in which politicisation leads to a growing bureaucracy which expands its responsibilities and thus the size of government. He believes that in the democracies this expansion has been the consequence of a political process where the principal actors have been electors, politicians and bureaucrats.

He sees the First World War, with what he calls its planning and indoctrination, as having done decisive damage to liberalism, with further harm being done by the "illiberals" of the interwar years. Agreement around the need for government intervention had been growing since the turn of the century based on three beliefs which, Hartwell argues, provided the emotional and political underpinning for this trend, as well as an anti-liberal mentality. The first belief was that capitalism was failing and without reform the outcome would be misery and revolution. This was coupled with the second belief that capitalism was immoral as it condemned the mass of people to inequality of incomes and opportunities, a belief which, in turn, was linked to the belief that governments could indeed achieve the efficient and just society by state intervention, through the welfare state or by socialism. These three beliefs came together in a simple and appealing trinity which, he claims, appeared to be "dogmatically invulnerable." This position on the failure of capitalism gained currency with the advent of

489 Hartwell p. 1.
two wars and the Depression, and from the end of the Second World War onwards there were thus a number of intellectuals arguing it was doomed, including such notables as Bertrand Russell, Hartwell contends.

This was a narrative Hayek refused to go along with. He was prepared to critique the "dogmatically invulnerable," playing a key role in gathering together the scattered clusters of liberals who, along with him, rejected both the inevitability of, and the preferability of, socialism.

In line with this refusal, he and his fellow liberal travellers opposed the state-interventionist vision of the good society, gathering not only to construct a critique of large-scale state planning but also to envisage the type of society in which individual liberty played a key role, in other words, providing an alternative interpretation and world-view. Acting on their belief that intellectuals shape political and economic opinion historically, Hayek and his cohorts set about creating an organisational base from which to influence this group. Thus a movement was developed in which knowledge could be created at the same time that a collective identity was actively constructed and intellectuals with new subjectivities and identities were developed.

The IEA was set up as a part of the "firm organisational base" for a continuing advance of liberal ideas in the public domain, an example of the organisational form which was discussed in Part One and is discussed further in the chapter that follows. Indeed, Robbins

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490 The need for a firm organisational base was stressed by IEA general director Harris in a paper given at the Mont Pèlerin in 1964 titled "Strategy and Tactics in Presenting the Case for the Free Market."
sees the IEA’s contribution, and that of Fisher, Harris, Seldon and others, in heroic terms. At a dinner in 1979 at the IEA in honour of Hayek’s 80th birthday, Robbins – then chairman of the London Financial Times – asserted:

Who would have thought that from such small beginnings the efforts of a comparatively small handful of people would have contributed so much to the intelligent discussion of the fearful problem with which our 20th century society is confronted? Who can pay sufficient tribute to the labours which have resulted in the output of so much intelligent discussion of these problems? But it has happened: the IEA is something which must be reckoned with in the intellectual history of our times, and the end is not yet. 

Thus, the “liberal” world-view – that which in terms of the Eyerman and Jamison framework would be referred to as the knowledge interests, identified along the cosmological dimension and created in the process of developing the movement – would be disseminated by movement actors formed in this process of creating the movement with the intention of influencing and transforming political and economic opinion, thereby extending the currency of their world-view. Indeed, the way Hayek describes the success of The Road to Serfdom in changing the audiences to which he had to address his arguments for market-based approaches in 1945 is an example of the way in which movement actors get formed in the process of developing the movement, and of how these movement actors are at the same time being shaped by the culture and historical conjuncture in which they appear.

Appropriate organisational forms for knowledge production – the organisational dimension – needed to be developed alongside the movement’s basic beliefs and assumptions – the cosmological dimension. Here both organisational forms – the Mont Pèlerin and the network

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491 A typed transcript of the remarks made by Robbins at the IEA dinner in honour of Hayek’s 80th birthday on April 27, 1979 which is included in Fisher’s papers at the home of the Whetstones in England.
of research and policy institutes that grew up alongside it – are examples being created by, and in turn, creating the movement.

Think-tanks were a particularly suitable organisational form, creating knowledge spaces for new types of intellectuals to emerge. Movement intellectuals located in the think-tanks point out that it was important for them to be more directly engaged with the “public” than their counterparts, for example, at universities, and often, too, with controversial issues such as the decriminalisation of drugs. The emphasis tended to be far more interdisciplinary than in universities, where, increasingly, scholarship was structured along disciplinary lines. These aspects are discussed in the following chapter, which examines the organisational form of the institute more closely.

A technological dimension also developed. Alongside and out of these organisational forms, think-tanks elaborated, transformed and applied the principles derived from classical liberalism through the application of microeconomic studies – in contrast to the dominant Keynesian position they challenged, which approached the economic field mainly through macroeconomics, where the emphasis was placed on aggregate figures and features. This technological aspect is also explored in the next chapter.
CHAPTER 9

The Period of Consolidation, 1957 to 1974:

The IEA, the Changing Climate, and the Campaign for Market Approaches to Policy.\(^{492}\)

Things have on the whole gone better than we have reason to hope.\(^{493}\)

By 1957, Hayek was of the opinion that the campaign by Mont Pèlerin members to inspire a
modern revival of liberalism was playing a part in changing the climate of opinion, which many
believe may be the area in which social movements have made their greatest impact, as
discussed in Part One. Delivering an address at its 10th anniversary meeting, Hayek noted he
was addressing the largest meeting of the society to that point.\(^{494}\) He concluded that this
growth in the size, diversity and geographical location of the membership made necessary
some reorganisation if the society were to continue to give support and solidarity and foster
the development of liberal thought as intended at the outset. In particular a need was identified
to perform this role for new members outside of the European-American axis which had been
the society’s foundation since 1947.

Hayek, noting that all seven Mont Pèlerin meetings up to then had been held in Europe despite
significant American membership from the start, held out the prospect that the next meeting

\(^{492}\) The material for this section is drawn from the sources referred to in the previous chapters, but
because its focus is the IEA, it draws most heavily on interviews and discussions with Harris,
Seldon, Blundell and their colleagues at the IEA; others interviewed on the importance of the IEA;
books, pamphlets and reports put out by it; and perceptions gained while visiting the institute in
London.

\(^{493}\) F.A. Hayek, opening address at the 10th anniversary meeting of the Mont Pèlerin Society in St.
Moritz, Switzerland, September 2-8, 1957. Located in the Hayek collection at the Hoover

\(^{494}\) The number of participants had grown to more than 200 from 25 countries, six times the original
38 from 10 countries, and 21 of the original 28 members still living were present.
would take place at Princeton, New Jersey. He also recommended that the presidency should start rotating, for he did not believe that such a society should have a president continuing “indefinitely.” It should thus have come as no real surprise to members when, three years later, Hayek announced in a circular he would not be a candidate for re-election as president of the organisation for which he had been such an important inspiration. Expressing his hope that he would be replaced by somebody younger who could help the society to remain vital in its thought and practice, he explained he had become convinced a society such as the Mont Pélerin should not become permanently connected with, or dependent upon any one person. A letter some 20 years later indicated that changes such as these had occurred, and the difference in the organisation was quite dramatic. A Mont Pélerin participant, Richard Ware, would later write to Hayek describing a Mont Pélerin meeting Hayek had not been able to attend, remarking that the “array of new and younger talent ... bodes well for the future” and adding that he found the contrast with his first meeting in 1949 “striking.”

Hayek’s intention, it seems, was also to preserve the autonomy of the body of thought which the organisation had sought to promote and its openness to various positions by not linking it too closely to his own concerns of the time, believing this could be better achieved by some distancing of himself from such a key position.

Our Society has always been intended to provide opportunity for discussion among a fairly broad range of views, so far as they were based on a firm belief in personal freedom, and it seems to me neither appropriate nor desirable that it should become identified in the eyes of the public with the particular views I have expressed in print.

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495 Richard Ware, letter to Hayek dated September 22, 1980. Hayek collection, Hoover Institution. Collection title F.A. Hayek, Box number 17, Folder ID 37. Some current members still express concern that there are not enough young members within the Mont Pélerin Society.

496 Hayek, “To Members of the Mont Pélerin Society,” an undated circular inserted into an issue of
A measure of the progress some of the Mont Pèlerin Society’s members felt they were making is perhaps reflected in the fact that, as early as the 10th anniversary meeting, it was being suggested the society could safely disband in light of its success. This was proposed again in the year before the Mont Pèlerin’s 25th anniversary at Montreux in 1972, this time by Friedman, who saw problems arising for the Mont Pèlerin as a result of its very success. Friedman argued that the members should take seriously the possibility of having a grand 25th anniversary meeting and then disbanding. Friedman argued that:

Organizations have a tendency to persist after they have outlived their function. Unlike old soldiers, they generally do not even fade away. Unless the Mont Pèlerin Society can be revitalized and redirected to promoting its basic objectives, it seemed to me better that it end in a blaze of glory.

Members made a decision, however, to continue, and with the same statement of aims adopted in 1947. They believed that the Mont Pèlerin should go on:

... putting like-minded people in communication with one another; stimulating an exchange of ideas; promoting participatory learning; encouraging members to foster, through scholarly activity and in other ways, a fuller understanding of the moral and institutional requisites of a free society ...

The Mont Pèlerin Society and the IEA, the two organisations Hayek considered most important to the development of the movement, were thus operating successfully by 1957. They also appeared to be equipped with an outlook conducive to change if and when necessary, giving those campaigning for limited government and a more market-based social...
order an adaptable organisational base. In the generally recognised cycle through which social movements are deemed to go by a number of theorists in the field who take this approach, then, the period 1957 to 1974 can be seen as the period of consolidation, in line with Eyerman and Jamison's format of phases used to "capture both the general and the specific in the cognitive identity of a social movement," or, in Sztompka's terms, the phase marked as structural elaboration.

Eyerman and Jamison have identified the three dimensions – cosmological, technological and organisational – along which the core identity of a movement is constituted, and these dimensions will shape the research context which places the activities of the IEA at the centre of this chapter, as the Mont Pèlerin had its place in the previous one. What Eyerman and Jamison call the cognitive praxis, the way in which a social movement projects itself through time, will be sought through these means in the material considered in this chapter, which discusses these aspects through the IEA.

This focus on the IEA incorporates the recognition that, as has been argued, there is perhaps no other single source that has "contributed so continuously, ably and comprehensively as the IEA to the intellectual undermining of the collectivist state" in Britain. The strategy is adopted on the basis of the role the movement actors see the IEA as having played, and indeed the role Hayek predicted for it when he advised Fisher to set it up in the 1940s, and also in terms of general perceptions of its importance among scholars on the "left" as well as

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500 Eyerman and Jamison 67.
among those who support it, based also on information from other sources such as interviews and documentary evidence.

Fisher, for example, drew a close connection between what the Mont Pèlerin and the IEA were doing, linking the activities of the latter to the wider movement for a social order of modern liberalism as well. In a letter to Hayek shortly after the Mont Pèlerin's 10th anniversary meeting in 1957, Fisher observed that the meeting "will have done a very great amount of good," and reports that the IEA was to try to hold a few meetings in London "to endeavour to propagate the libertarian idea.\textsuperscript{502} A number of those interviewed saw the IEA as being perhaps most important to the movement, more so than even the Mont Pèlerin, given its more direct engagement in the public domain.

For most of the period demarcating the consolidation phase, 11 of the 17 years between 1957 and 1974, the Conservative Party was in power in the U.K.\textsuperscript{503} It is in this political context and in an intellectual climate favourable to large-scale state-interventionist options, irrespective of the party which was in power, that the IEA operated in the first two decades of its existence, when both Labour and Conservatives, with the exception of a short period under Heath,\textsuperscript{504} went along with the main tenets of the Keynesian consensus. This further underscores the contention that it is not so much in the realm of party politics but at the level of the creating of


\textsuperscript{503} Details of voting trends and the various governments are in Table 1 and Appendix VIII.

\textsuperscript{504} Fisher, in a letter to Hayek dated March 18, 1974, mentioned the Selsdon Group, which Heath had led on a brief campaign for a more market-based approach within the Conservative Party in the mid-1970s, writing that "I believe it will be fair to say that the members of that group are what they are because of the IEA and the IEA exists because of your own advice." Hayek collection, Hoover Institution. Collection title F.A. Hayek, Box number 19, Folder ID 9A Fisher Correspondence.

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a competing common sense that the project should be read, as is argued. The convergence of belief was present despite the two parties’ differences and the fact they are funded by such different communities – the Conservative Party deriving its main income from individual subscriptions and contributions from companies, and Labour receiving over 70% of its revenues from affiliation fees paid by trade unions for each member, with the remainder coming from individual membership payments through constituency associations and from other affiliated organisations.

In light of the electoral domination of the Conservative Party during the period of consolidation, and the similarity in party platforms that was a characteristic of the times, it could be said that scholars who see the “New Right” as a phenomenon emerging in the mid-1970s “committed to the restoration of a Conservative government”505 perhaps misconceive the postwar period. Indeed, some movement actors interviewed went so far as to see the Conservative government of the early 1970s as one of the most socialist governments Britain has had – using the term socialism in the sense of state ownership and/or control over resources. This contention was based on the grounds that, besides having failed to live up to its earlier claims to be market-oriented (in 1964, Heath had abolished the restrictive Resale Price Maintenance (RPM), something for which the IEA had campaigned in a publication four years earlier in 1960, Resale Price Maintenance and Shoppers’ Choice), the Heath government of 1970-74 not only reverted to corporatist Keynesian policies after a U-turn in 1971 but even took industries into state ownership and announced price and income policies. Conceiving of the New Right, as the same scholars do, as pursuing also a much broader refurbishing of

conservatism from the 1970s is also misleading and is a perception which perhaps flows from their analysis of the New Right as a relatively new phenomenon of the 1970s, reading it as they do primarily through Thatcherism. Movement actors reinforced the perception that a project so broadly defined should not be seen in terms of party politics.

Graham Hutton, assessing the postwar period, refers to the Tory governments after 1951 as “obsessed by macro-measures” and falling back on Keynesian reflationaly policies. He asks: Why were they thus obsessed? Why were Robbins, Hayek et al so blatantly ignored, derided even? For Hutton, it is the IEA that changed this. It acted as a forum and “intellectual powerhouse clearly working a ferment in both economic and politico-social thinking in Britain.”

Both in academic economics and in national (all-party) politics the challenge of the Institute’s writers to the post-war crudely Keynesian economics and policy-making – which Keynes would have disowned – worked what must be termed a revolution. Against the fashionably crude Keynesianism of 1945 to 1970 arose an increasingly respectable, increasingly intellectually esteemed, and at length almost fashionable body of economic and socio-political thought, querying étatism, state-interventionism, monolithic centralism, and the false gods of crude Keynesianism, as well as expounding and analysing the rôle of the freest possible market system on both the macro and micro scales.506

It was because of their continuous railing against the climate of the times that Hutton was inspired to refer to Harris and Seldon as “the awkward squad.”507 Hutton, also a former Fabian and an LSE lecturer and who was on the staff of The Economist in the 1930s, was an early supporter of the “awkward squad.” A letter he wrote to Hayek in January 1958 illustrates three aspects important for the development of the movement. Firstly, the link

506 Graham Hutton, “Why Did it Happen ... Just Then?” The Emerging Consensus ... ? 17-18.
507 A reference to this expression was made by Harris and Seldon in one of the interviews with them.
between the Mont Pèlerin and the IEA (the latter of which Hutton described as "a haven for refugees from all parties and from none"), secondly, the collaborative aspects of the movement's projects; and thirdly, an indication of the early impact the publications of the IEA were having.

Meanwhile, you will be interested to learn Antony Fisher's little "baby", the Institute of Economic Affairs, has taken quite a lot of our time and effort here. It has produced a new book on HIRE PURCHASE IN A FREE SOCIETY which has had a terrific and favourable reception from the influential press this week and is selling well. I have managed to raise some money for it, and others are doing likewise and it should develop very well; we all met at lunch this week and discussed further publication and work; and most of us who are helping this project seem to be members of the Mont Pèlerin Society. So one way or another the good work goes on.

Fisher, in a letter to Hayek months later, expressed similar news about IEA publications, noting that the third publication on hire purchase was, in addition, a "success," having been profitable, generating articles in newspapers such as The Sunday Times and being reviewed by all Britain's "top economic journalists." He reported that the IEA was "flourishing," further illustrating the close connection between the institutes and the Mont Pèlerin by discussing a talk for the Princeton meeting in September 1958, the first of the society's meetings to be held in the U.S. Fisher explained to Hayek that both Pensions in a Free Society and Hire Purchase in a Free Society were attempts to establish the place of both these activities in a "free society." Plans for the following year included studies on advertising, trade unions, the

invisible earnings of the City of London – referring to benefits flowing from its activities which tended to go unnoticed – as well as on agriculture, marketing and welfare.

The letter also illustrates how Fisher’s entrepreneurial activities both within and outside of the IEA were connected, and that the subjectivities in both arenas appear to be similar. It puts his belief that innovation and success in business give a better position from which to speak for liberalism. Fisher wrote about the good progress of the methods he had adopted in the chicken business, and said that this growth and prosperity was having the double effect of helping to finance the institute as well as giving his ideas on agricultural policy more weight because of this success.\footnote{510} Indeed, his involvement in the movement and the chicken business are closely connected. Pondering the advice given him in 1945 by Hayek, Fisher travelled in the late 1940s to the U.S to visit FEE. It was while in the U.S. that he was exposed to the then new method of factory farming of chickens. With an introduction from FEE’s F.A. Harper, formerly at Cornell University, he travelled to the outskirts of the university town to meet his first chicken farmer.\footnote{511}

Seldon, looking back in 1981 – with Thatcher and Reagan, who would implement more market-based approaches to policy, having just come to power – explained the essence of the IEA approach and why it struck early observers as a fundamental break with the postwar consensus. As those at the IEA were unconvinced from the outset by the Keynesian prescriptions, he says:


... we systematically mustered and presented in modern
dress the truths of classical political economy: that government
could not assemble the information required for the desired use
of resources; that only individuals could derive the information
from their local, voluntary, private lives; that they could reveal
and apply the information only or most effectively by coming
together as buyers and sellers in markets.\textsuperscript{512}

In the same publication, Harris described the desired new consensus which he saw the IEA as
having worked for in the following terms:

Yet the free society depends ultimately on strong
governmental authority, not least to protect the community
against the perennial challenge of sectional producer interests.

To restore this necessary authority to government requires a
more enduring consensus about its essential responsibilities, as
distinct from those of individuals and families in a free
society.\textsuperscript{513}

The IEA, which is regarded as the antithetical counterpart of the Fabian Society, discussed
earlier, pursued what Seldon refers to as “new/old approaches” to new subjects. Publications
attempted to show through contemporary events what were deemed the liberal truths that had
lost their currency in the postwar preoccupation with the use of monetary or fiscal measures
to control factors such as unemployment, the question of what causes unemployment having
being the most important question of the 1930s and 1940s. Inspired by the notion, also
articulated by Keynes, that ideas “are dangerous” or, to take a phrase used by Fisher, “ideas
have consequences”\textsuperscript{514} and recognising, like Gramsci, that an intellectual campaign requires a
long time, the task the IEA took upon itself was that of translating a belief in liberalism into
applied studies which considered market-based policies, and thus could be used both to argue

\textsuperscript{512} Seldon, “The Essence of the IEA,” \textit{The Emerging Consensus} ...? xvii.
\textsuperscript{513} Harris, “The Emerging Consensus,” \textit{The Emerging Consensus} ...? xiii.
\textsuperscript{514} Wood 260.
against controls, such as restrictions on foreign exchange dealings, and by policy makers to

effect changes in policy.

The IEA examined through studies a number of the propositions of classical liberalism, with

the aim of increasing the circulation of the ideas, among them:

- Production takes place for consumption and not the other way around, from Adam Smith;
- Value is measured not as an average but at the margin, the position of Austrian Menger,
  W.S. Jevons and Léon Walras;
- The cost of producing a commodity or service is not the labour required but the commodity
  or service thereby lost, the argument of Austrian Wieser.

Seldon argues that the IEA may perhaps have a claim to having created the postwar focus by

which it was demonstrated that market analysis is imperative for understanding and solving

economic problems. While the ranks of IEA authors included economists sophisticated in

mathematical macroeconomic models, he argues, IEA papers illustrated that this sort of

analysis had to be explained by microeconomic analysis of individuals moved by changes at

the margin of effort or reward. An example of the former would be much of Friedman’s work,

which is very clearly macroeconomics and embodies assumptions quite different from those of

Hayek, who resisted econometrics, macroeconomics and generally – in the language of

another discourse – meta-economics.

But for some observers both Hayek and the IEA could have been more open to these macro

approaches. This tension between the more macroeconomic approach of monetarists and
microeconomic approach of Austrians is as evident in the discourses among movement actors in the institutes as it is in the Mont Pèlerin, as discussed in earlier chapters.

Indeed, this commitment to an approach of microeconomics on the part of the IEA is stated as firmly as its anti large-scale interventionist beliefs. This refusal of meta-economics is evident in its report of 1990/1991, which claims that IEA studies have demonstrated the limitations of macroeconomics, showing the scope which individuals have to exercise choice in priced markets and co-operate voluntarily and spontaneously in production. The report also claims that the IEA has fostered an understanding that national controls or central planning of prices can have consequences different from those intended – indeed the Hayekian position. In the report, the IEA states its characteristic approach as being one of analysing the working or non-working of markets.

Where markets work, the economist’s interest lies in trying to discern the scope for improvement. Where markets do not work, the interest lies in diagnosing the reasons, whether they spring from the nature of the economic activity itself, or from the legal and institutional framework which is the responsibility of government. Where markets cannot work effectively, interest lies in finding alternative methods of organising resources to respond to consumer preferences, which is the province of the economics of "public goods."515

The IEA saw its task as a far greater one than simply translating liberal economic writing into popularised accounts; rather, the point was to create a new knowledge from which new perspectives could grow. In a letter to Hayek on one occasion, Seldon set out to correct what he believed might be a misconception of Hayek’s – that the IEA was a mere populariser of others’ ideas. He wrote that when Hayek had been in London some months before, he had praised the IEA as being successful in publishing simplified versions of liberal economic

515 The Institute of Economic Affairs Progress Report 1990/91: The IEA’s Distinctive Approach. 3.
writing. Seldon pointed out that while that was part of the IEA’s work, he believed the main purpose to have been to apply to current and future economic problems and policies the best economic thinking, which in the IEA’s opinion came from economists who appreciated microeconomic analysis without ignoring macroeconomic aspects where relevant.

I am sure you will not mind me saying this. Our critics have long been disposed to denigrate or underestimate our work, and perhaps our friends may like to know the work we have done that has, especially in recent years, brought us increasing, if belated, recognition.⁵¹⁶

Hayek was quick to reply to Seldon in a letter marked confidential, with a reassurance as to the esteem in which he held the IEA, and apologising if he had ever have given the impression that he regarded the IEA as a mere popularising propaganda institution. Hayek claimed that his constant difficulty rather was that when talking about the IEA, he did not offend other institutes by saying too plainly how infinitely superior he regarded the IEA’s work as being compared to the propaganda of others wanting only to equip devotees with better arguments, an effort he found meritorious but neither very interesting nor effective. Hayek said that in private conversation he had said again and again almost in the same words what Seldon had said in his letter. He apologised if he had never said this to Seldon, since he claimed to be fully aware that the scientific side of the IEA’s work was mainly due to Seldon’s inspiration.⁵¹⁷

A similar view on the IEA, and one indicating also the way in which it fostered a sense of solidarity among those sympathetic to the liberal position, is expressed by Madsen Pirie, then

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⁵¹⁷ Hayek, letter to Seldon dated September 7, 1975. Hayek collection, Hoover Institution. Collection title F.A. Hayek, Box number 27, Folder ID 6, IHS and IEA. The letter has been edited so as not to reveal that which Hayek did not wish to make public, information which might damage relations within the network of institutes but which it is not necessary to reproduce for this study.
in the Department of Philosophy at Hillsdale College, Michigan, now along with Butler heading up the Adam Smith Institute (ASI) in London. Writing to Fisher in 1975, he said he had first encountered the work of the IEA at university while in the process of developing his own ideas. In his view the fact that the IEA had academic prestige and published research on such a wide range of topics acted as a considerable reinforcement to those who were groping their own way towards a similar commitment to liberal ideas. He remarked that it was through these works that the student became aware that there is a “solid body of academically respectable” thought oriented towards the consumer rather than the central planner.

Pirie observed that since the IEA had concentrated mostly on empirical studies, it had brought to economics an emphasis on the practical effect of policy, habitually providing sharp reminders from the real world when abstract reasoners speculated about ideal economic systems.518

Pirie described the effect the work of the IEA had had in favourable terms, observing that it had been successful in that while its views did not dominate everywhere, they dominated in more than a few institutions and were represented everywhere. In a sense describing a process in the dissemination of ideas, reviewing the impact the IEA had made on students, he argued that one generation of students became the next generation of teachers, and it was for this reason that the IEA was so well represented among the younger economists working their way through university departments. Pirie saw the impact as being as significant outside of the academy, and expressed the importance of the IEA to the sense of identity of those who held

liberal views as well as to the way in which activity and subjectivity were linked. In the light of
this description, the IEA appeared to have successfully complied with the vision Hayek had
laid out some years earlier in “Intellectuals and Socialism.”

... [the IEA] it has been hugely successful at capturing the
intellectual initiative in Britain. The fact that the newspapers
regularly carry stories about its research papers is a sign of this.
Instead of being constantly assailed from one side, and being
made to think that his own ideas are ridiculous and uninformed,
the ordinary intelligent man in Britain is given support in print
and on the airwaves from some of the most prestigious names in
the academic world. I firmly believe that it is of vital importance
for people to feel that their views have intellectually respectable
backing. It gives the self-confidence required to inspire
action.\(^{519}\)

Pirie concluded by pointing to the way in which the work of the IEA was linked to the public
domain and ideas were transformed from one arena to another, and to the possible policy
implications that flowed from this “political” aspect. In keeping with findings relating to other
social movements and movement organisations studied, the IEA not only altered the
intellectual background to the debate, it gave arguments to those who wanted to put the
position for a liberalism, observes Pirie, noting that the IEA must take satisfaction in seeing
how many times its work found its way immediately into debate in the House of Commons, as
well as the media.\(^ {520}\) It is presumably in part this which inspired Pirie and Butler to set up an
institute, also in Westminster, committed to similar beliefs, if not the same dissemination
strategy, in the mid-1970s.

However, despite the assortment of tasks performed by think-tanks within the larger
movement, it can be argued that their greatest contribution to achieving the aims of the

\(^{519}\) Ibid.
\(^{520}\) Ibid.
movement, especially in the case of an institute such as the IEA, lies in the commissioning and editing of work, an undertaking which brings together creative and expressive, strategic and resource-mobilising aspects, important for any movement.

This study’s examination of the IEA, conducted in Eyerman and Jamison’s terms by reading it cognitively, brings forward an instance in which their three dimensions have been combined in the construction of a movement identity through cognitive praxis. The study looks at the broad philosophy or common world-view assumptions which give the movement and organisations within the movement, as Eyerman and Jamison describe it, their “utopia mission.” It identifies the topics and issues of analysis selected by movement actors and the linked practical and methodological approaches or strategies adopted. It examines the organisational forms created or used for the particular types of knowledge production and dissemination. It views the IEA as a manifestation of the aggregate of activity which Eyerman and Jamison identified in their own empirical research in the following terms:

... the dimensions were integrated into a living, active force, they fed on each other, the worldview assumptions providing technical criteria for a range of oppositional activities carried out in new organizational forms.\(^{521}\)

Thus, the liberal world-view with its assumptions, or what Eyerman and Jamison refer to as the cosmological dimension of knowledge interest, has been matched in this study to the technological dimension – which involves both critiques of some of the macroeconomic thinking, as well as the application of microeconomic analyses and studies of individuals – and to the organisational dimension, where new intellectual spaces in which new types of intellectuals could develop were opened up appropriate to the former two dimensions. The

\(^{521}\) Eyerman and Jamison 69.
theoretical tenets of modern liberalism derived from classical liberalism were transformed and disseminated through the practice of microeconomic applied studies as well as through the activities of the research and policy institute, or think-tank, which, it can be argued, in turn modified liberalism further. Thus, as ideas shape action, action can transform ideas as well.

For Eyerman and Jamison, these forms revealed by the organisational dimension are important and ever present.

... all movements have a particular organisational paradigm, which means that they have both ideals and modes of organising the production and, even more importantly perhaps, the dissemination of knowledge. The organisational dimension is thus the way in which movements get their message across, and the organisational forms within which their cognitive praxis unfolds.522

The “new organisational form,” the think-tank, is an alternative form for the dissemination of knowledge which has largely been modelled and popularised by the movement actors involved with the campaign arguing against the interventionist state. This organisational form – located in terms of function somewhere between established scholarly institutions, although targeted no less at them, and the domain of public policy – is always aimed at influencing those opinion-formers or “second-hand dealers of ideas” who, in turn, could influence a significant element of the public and, through them, politicians. Indeed, the success of this organisational form in the hands of Harris and Seldon has inspired its reproduction internationally, although it has taken different forms in other geographical locations and has not been limited to any general locality in the spectrum of opinion. The increasing popularity of this form among market liberals is illustrated in graphic form in Table 5.

522 Ibid.
This organisational form is becoming increasingly popular, too, with those groupings which hold contrary views. One such left-of-centre research and policy institute, the Institute for Public Policy Research (IPPR), was set up as a charity with the same research and educational objectives as the IEA, but while the organisational form of the think-tank was used when the IPPR was established in 1988 by James Cornford, Tessa Blackstone and Patricia Hewitt, it not only has an economist different in persuasion to Hayek in John Kenneth Galbraith but its intention was different. Its purpose was to explore alternative views of political, economic and social issues to those espoused by the IEA and "its free market allies." There was a strong feeling among the founders, explains Cornford, the IPPR's director, that the right had all the best tunes and that policies that reflected the values of the left needed fresh thought and articulation. This observation indicates the clear role of the IEA, and others arguing for a more market-based social order, in the emergence of the IPPR, which receives its funding from individuals, companies, trade unions and charitable foundations. Cornford argues that though it is possible to exaggerate the extent of the postwar consensus, there is no doubt that the 1970s saw a collapse of confidence in the intellectual assumptions that underpinned that agreement, contributed to by social and generational changes that undermined the electoral base for its maintenance.

Cornford, in discussing the different routes to influence, suggests in his comments an agreement with Hayek's position in "The Intellectuals and Socialism" that altering the climate of opinion is the way to transformation. He agrees with the position of the LSE's John Kay on...
policy and research, that in the long term altering the climate of public opinion has a greater impact than attempts to influence politicians directly through private contacts, but contends there is more to it than that and that perhaps the “distinction can be drawn too sharply” as the differences between the various think-tanks are many. He illustrates this by comparing:

... the long march of the Institute of Economic Affairs from the forlorn hope of the 1950s to the sunlit uplands of the 1980s. And that odyssey is different in kind from the tactics of the Adam Smith Institute, where the same ideological approach has been embodied in policy recommendations, specified in shocking detail, with the intention of an immediate impact on the political agenda.525

Cornford, along with Fisher, Harris, Seldon, and most other activists within institutes both within and outside the movement, stresses the importance of independence to institutes. He believes the setting of the agenda and saying what one thinks – “speaking truth to power” – are essential conditions and justifications for the existence of think-tanks.

While there are certainly limits to the independence of the various institutes, the perception of even a limited independence is crucial for credibility, and an institute’s ability to cultivate a sphere of influence beyond the ideas and policies of one party or grouping depends on it. Indeed, this is seen as the triumph of the IEA’s independence – it was able to affect opinion in a number of quarters.

A measure of the importance to the IEA of its perceived independence can be seen in its contemplation on one occasion of a law suit against a detractor. In a letter to Hayek in 1975 marked “Confidential,” Harris referred to a review in the Guardian by Harold Perkin describing the IEA as “a propaganda organ for the so-called ‘free’ enterprise lobby” in which

the author had remarked that he hoped the eight academically respectable contributors had been well paid for the loss of their political virginity. The IEA, said Harris, had asked the Guardian to withdraw the defamatory charge that it was a "propaganda organ," which he noted would clearly have been inconsistent with its claim to the status of a registered education charity. Harris told Hayek the IEA felt it could be shown that academics of high repute were ready to testify that economists interested in the use of markets had long been mistaken by the lay public as "tools of capitalist exploiters," and that terms could therefore be reached with the other side and a full court hearing avoided. Harris asked Hayek whether he would be prepared, as one of a dozen men being approached who knew and respected the institute's work, to testify if necessary.\textsuperscript{526} This instance illustrates not only the importance placed on being perceived as independent, but also the importance of being able to identify with key figures in the academic field such as Hayek to maintain this credibility and independence.

Harris describes how Seldon was especially mindful of guarding the IEA's independence of its subscribers. Ever suspicious of getting too close to party politics or to sources of funds, and aware of the danger that subscribers could capture the production of the IEA, Seldon would pull Harris back with the expression, "Your shirt-tails are hanging out,"\textsuperscript{527} if he even mildly suspected he might be getting too close to either grouping.


\textsuperscript{527} This caution was mentioned in a number of interviews with Harris that took place in 1992 and 1993. It was a constant aspect in the accounts which Harris gave of the relationship.
The question of independence of party politics became an issue in the latter part of 1991 when Harris and Seldon came into conflict with general director Graham Mather, who had been appointed to take over from Harris when he retired. The two founders complained about the increasing politicisation of the IEA under Mather, and that he was refashioning it into a more academic form of the more strident Institute of Directors whence they had hired him. Some movement actors saw it departing from its function as the factory of ideas Hayek had conceived and becoming an organisation too involved with party politics; others interpreted the conflict as one between the old guard who wanted to keep fairly close to the original formulation and a new guard who believed the IEA should move on. It appears that the

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<th>TABLE 3: IEA Income and Expenditure for the year to June 30, 1990</th>
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*Source: IEA 1990/91 report*
disagreement began when five scholars associated with the IEA warned in one newspaper that deep depression could result from the government’s strategy on interest rates, only for Mather to be quoted later in another newspaper disagreeing with them and supporting the government.\textsuperscript{528} Despite the conflict – seemingly over whether as a strategy the IEA should react to daily events or focus on changing the climate of opinion over months and years – relations remained cordial and Harris remained full of praise for Mather, who left to set up another institute, the European Policy Forum, to promote an anti-federalist, market-based Europe in 1992.

Indeed, this issue of how close institutes should be to politics is one that is continually debated among movement actors. For instance, a number of movement actors who attended the Mont Pélerin meeting held in Vancouver in 1992, which was addressed by former U.S. Secretary of State George Shultz, felt the invitation to a political figure such as Shultz was perhaps inappropriate to the general tone and attitude of the Mont Pélerin.

The IEA stresses that, in line with its beliefs and assumptions, it neither seeks nor accepts taxpayers’ money through grant or subsidy. It has charitable status but attempts to pay its own way by selling significant numbers of publications and raising money from companies and charitable trusts.

\textsuperscript{528} This controversy is described by Ivan Fallon in \textit{The Sunday Times}, September 8, 1991.
The IEA reported a surplus for the year of £106,000. It should be noted that there have been hard times, too, most notably in April of 1962, when both Harris and Seldon had to engage in fund-raising full-time for three months to keep the institute afloat.529

The report stresses that contributions to the IEA are “made without strings,” noting that it “encourages a multiplicity of sources of finance to guarantee the independence and integrity of its work.”530

However, this kind of independence is not always essential for the success of institutes. The Centre for Policy Studies (CPS) was set up in March 1974 by figures actually involved in party politics, Joseph and Thatcher, to bring to the Conservative Party some of the market ideas that the IEA had been disseminating in a wider intellectual sphere, and thus was not concerned with being independent of party politics in the same sense. According to Joseph its aim was to convert the Conservative Party and it was thus self-consciously a political institute designed to articulate in political terms what the IEA had been thinking.531

The CPS’s task was to examine the use of market economics in European states, of which the social market economy in Germany was one case. The publication referred to earlier, Why Britain Needs a Social Market Economy (1975) can be seen as emanating from within the sphere of influence of the market movement which this project studies.

Just as the IEA was helped by its independence, the lack thereof might have been the making of the CPS. This is not to confuse independence with impartiality. An independent institute is

529 The Emerging Consensus ..., ? 267.
530 The IEA 1990/91 report 25.
531 Cockett 237.
unlikely to attempt to be impartial in terms of viewpoint, and with rare exceptions there is a consistency to the themes, ideas and viewpoints of the papers which an institute will put out; indeed, it is through this consistency that an audience is built up.

Jacques, in heading up one of these different think-tanks along with advisory council members of Demos such as fellow Marxism Today editor Hall, indicates that he, too, goes along with the position that the route to transformation lies through altering the climate – thus, in another formulation and in “Gramscian” language, conducting a protracted intellectual battle ahead of political and policy changes. Funding for Demos comes generally from companies and one trade union, and the hope of director Geoff Mulgan is that politicians of all parties will use Demos’s ideas,\(^{532}\) with the inspiring idea being one which echoes Ernesto Laclau and Chantal Mouffe’s (Mouffe is a Demos adviser) democratic radicalism.

The inspiration behind the IEA takes on an additional dimension when it is considered that Seldon acted as an informal advisor to those setting up Demos, although this is not that surprising, perhaps, based on Seldon’s insistence that the label New Right is inappropriate to the IEA since they are not left, right or centre, but radicals.

While Comford rightly warns of the differences among the actual approaches of the various think-tanks, the attributes of the institute as an organisational specimen, at least in the British context, appear consistent enough to warrant some general description.

In the case of the IEA there is a mutual reinforcement among the organisational, cosmological and technological dimensions. The very form the institute took was entrepreneurial and

consistent with the theoretical and ideological disposition of those who formed it. Wood argues, for example, that the emergence of the IEA is a good, and remarkable, instance of its guiding social philosophy that the most creative developments in society result from marshalling the spontaneous energy of individuals.

Its achievement seems all the more remarkable when one recalls how suppressed and constrained these forces then were by the pervasive influence of collectivist thinking on policies pursued by all parties following Britain’s incomplete emergence from a war economy. It is achievement seems all the more remarkable when one recalls how suppressed and constrained these forces then were by the pervasive influence of collectivist thinking on policies pursued by all parties following Britain’s incomplete emergence from a war economy.533

The practices of these liberals, then, are generally in keeping with their theoretical emphasis on entrepreneurship, change and market capitalism, where price is the method of adjustment, and it was with this synchrony that their campaign for a climate conducive to this sort of entrepreneurial initiative was conducted. The entrepreneurial subjectivity which market liberals see as beneficial to, and fostered by, a market-based social order is evident in the activities of movement actors. The IEA becomes more than a mere descriptive example of a research and policy institute. Through its practices it has helped this form of knowledge institution develop as an organisational type along lines conducive to its beliefs and set of assumptions. It embodied a dynamic unity of Eyerman and Jamison's cosmological, technological and organisational dimensions.

At the one level, or within the one dimension, the IEA, mostly using micro-analysis, was arguing that a change in climate would be facilitated by a dismantling of controls, many of them set up as wartime measures but then added to rather than abolished by postwar

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534 These attitudes, or the coincidence of preaching and practising, are discussed as well in the postscript which follows Chapter 11.
governments. Foreign exchange control, which some regarded as the next most serious
costRAINT on personal freedom after a restriction on leaving the country, was one such law
fiercely opposed from 1955 in publications by the IEA. (The IEA is seen as having contributed
to the lifting of this restriction in 1979 when the Thatcher government came to power). It can
be argued that the world-view that informed its publications, one which argues for
entrepreneurial innovation and market positions, translated into actions on the part of
movement actors at the level of practice. Harris’s willingness to take on the task of running
the IEA at only £600 a year in the early stages of its development and to make the rest of his
living from freelance journalism can be seen as an example – it is illustrative of what can be
termed an entrepreneurial subjectivity of the kind that movement actors believe should be
fostered more widely in a society dominated by a consensus around regulatory practices which
constrain such impulses. This cognitive reading of a movement – which implies considering,
for example, how the cosmological dimension, the movement’s world-view, informs the
subjectivity and activity of movement actors and thus the movement’s identity – brings to light
the way in which the actors create the movement and are in turn created by it.

Commenting on the IEA’s success, Friedman saw it first as a success of entrepreneurship. In a
letter to Fisher in 1980 expressing the belief that the IEA had been a major factor in changing
the intellectual climate of opinion in Britain, Friedman remarked that it would be hard to find a
more successful example of intellectual entrepreneurship. He noted that its list of publications
commanded respect from scholars and the lay public alike, and that proposals formulated in
some of these had since become law, as discussed above, while others had influenced the programmes of both parties.535

The IEA’s beginnings bespeak entrepreneurship associated with small businesses. From the time operations were set up until the end of 1958, the IEA was located at the same place as the premises of Oliver Smedley, co-founder of the IEA with Fisher, at 24 Austin Friars, symbolically close to one of the most important markets at the time – the London Stock Exchange, which still, along with New York and Tokyo, dominates financial markets. Space was limited and thus visitors were difficult to accommodate, yet four of its titles were published before the IEA, then run only by Harris, moved to 7 Hobart Place in December 1958. It was from this location that what came to be called the Hobart Papers were published.

The Hobart papers, referred to as a series of academic pamphlets, can be seen as an example of the technological dimension of the IEA’s knowledge interests. It is a project in which the IEA set out to extend its publication list by combining the immediacy of journalism with the authority of more elaborate scholarship. Topicality was needed both to attract media attention and to illustrate to the IEA’s various audiences, such as students and business, the relevance of economic analysis for contemporary problems – with a greater capability to do so in step with events. The Hobart papers, reviewed as “academic polemics,”536 expanded the institute’s publishing activities; its more conventional publishing activities continued.

535 Milton Friedman, letter to Fisher dated May 8, 1980 with the collection of Fisher papers lodged with his daughter and son-in-law Linda and Francis Whetstone.
536 Wood 258.
The first in this innovative series, written by the LSE’s Basil Yamey and published in 1960, opposed price controls on goods under what was known as resale price maintenance. Entitled *Resale Price Maintenance and Shoppers’ Choice*, it was a success in publishing terms, selling out and being reprinted within a month, and also in persuasive terms, it could be argued, for this control was lifted four years later. It was in its third edition when Heath, as president of the Board of Trade, put through legislation doing away with resale price maintenance in 1964, thus making it the first control to be lifted in circumstances where an IEA author’s opposition was seen as important.\(^{537}\) A more current example of the contribution of IEA publications to the lifting of controls is Whetstone’s *The Marketing of Milk* (1970). Regulated since 1933, enabling legislation to dismantle the regulation of marketing and sales of milk was passed in 1993 with the control scheduled to be lifted in November 1994. Mises saw this essay by Whetstone as:

> ... precisely the kind of economic monograph that is badly needed in order to substitute a reasonable analysis of economic conditions for the uncritical repetition of the complaints and wishes of various groups of people who are merely interested in the creation or preservation of conditions that further their own interests at the expense of the consumer.\(^{538}\)

It was during the time at Hobart Place that the IEA also changed its organisational structure, broadening its employee base. Joan Culverwell was appointed in January 1959 as Harris’s secretary, purchasing the first of the IEA’s physical assets – furniture and a typewriter. Michael Solly was appointed on a temporary assignment four months later, and it was also in

\(^{537}\) Ralph Harris, Preface, *Half a Century of Hobarts* by T.W. Hutchison (London: The Institute of Economic Affairs, 1970) 5. In the game of cricket a “century” is 100 runs, thus “half a century” here indicates the number 50 rather than 50 years in time.

\(^{538}\) Ludwig von Mises. Memo dated January 8, 1970 which is among Fisher papers housed with the Whetstones.
1959 that Seldon was appointed part-time editorial director, as opposed to his earlier
designation of editorial advisor, and Harris, Culverwell and Fisher organised the Oxford
meeting of the Mont Pèlerin. The IEA moved to Eaton House in February 1961, before
moving to its current address at 2 Lord North Street, close to Westminster, in May 1969, the
same year that the staff was joined by Ken Smith, who is still the IEA librarian and office
manager.

Seldon took up the position of full time editorial director in July 1961 and John Blundell (not
the same man as the current general director) joined the IEA in 1962. George Polanyi, who
joined in 1966, had the task until his death in 1975 of working on subjects for which an author
could not be found, in part, claim movement actors, because of the pervasive consensus
around the statist position on economic policy. He was, according to reports within the IEA,
versatile, good and fast, and is responsible for nine studies, one of which was published under
the *nom de plume* Spartacus, the only anonymous work the IEA has allowed. Blundell,
inspired by the objectives of the IEA, came out of retirement to join, working unpaid as a
full-time company secretary and fund-raiser until just before his death in 1972.

Wood, reviewing the success of the IEA in the period up to 1981, reads it in market, heroic,
as well as ideological terms:

> An economic opportunity existed, waiting to be exploited by anyone who dared to put the neglected alternative points of view to the prevailing consensus.

> ... Who else, in those years, dared to doubt the value of a National Plan or was prepared to defend the role of advertising, hire purchase, the City, or industrial entrepreneurs? It was the heyday of ‘price-less’ economics, expressed in the language of national income specialists, for whom the debate was confined to the manipulation of large aggregates, apparently
unresponsive to changes in cost or price. To argue for the use of the market (or for the price mechanism, as it was then more usually called), was to put yourself outside serious discussion into an archaic and isolated no-man’s land where, incidentally, few British academics were to be found, even as explorers.\footnote{Wood 260.}

Harris, recollecting the consequences of challenging the postwar consensus, describes how talking about the market was seen as the moral equivalent of swearing in church. But, as with the Mont Pèlerin, the IEA increasingly found people giving voice to the same misgivings about the consensus on large-scale state intervention and finding support in the IEA’s positions. Papers challenging the prevailing climate would be followed by letters expressing the solace felt by those discovering they were not the only people who held that particular opinion.

If the prevailing attitude was such, why, against these odds, were the movement actors prepared to take these risks, risks perhaps greater than those taken by even the most entrepreneurial of people? The immediate answer lies in their belief, accompanying the entrepreneurial streak, in the decisive influence of intellectuals and ideas. Indeed, current IEA general director Blundell believes “The Intellectuals and Socialism” should be read at least once a year by staff and trustees. What is unthinkable can become thinkable or, to articulate Hayek’s aim, what was previously politically impossible can be made possible through repeated reinterpretation and reconsideration. Thus the movement actors were prepared to back this belief with activities targeting those intellectuals or second-hand dealers in ideas who could most easily take to the ideas and, through their positions of influence, in a sense, translate them into consequences.
A further reason for this commitment over and above the merely instrumental motivation of economic benefit is perhaps that movement actors generally see their position on limited government in moral terms, in the way that Gray describes it:

The argument for limited government and for the market economy is not in the end an economic argument. It is an ethical argument – the argument that, in the conditions of a modern society, only market institutions can give practical realisation to the values of liberty and human dignity. It is the argument that only market institutions allow free individuals to opt into, or out of enterprise.\(^{540}\)

Given the nature of the organisation, the IEA’s link to the Mont Pèlerin was important. In addition to helping to provide a sense of solidarity and identity to movement actors in the IEA, the link was beneficial to the institute’s publishing and seminar activities.

The IEA in the early days was not quite, as one observer put it, “two men and a dog,” but comprised not much more than the team of Harris and Seldon. As with most of the institutes arguing a similar position, the organisational form is generally marked by flexibility – born, perhaps, of necessity – in the use of part-time staff, or in the way that staff moved from one task to another, for example the way in which Harris had to switch between fund-raising and writing, sometimes acting as co-author, as in the case of Hire Purchase in a Free Society (1958) and Advertising in a Free Society (1959). The work on hire purchase indicated it had been inspired by an indignation at the lack of access of the working classes and consumers with modest income to durable goods, and its arguments were in opposition to those taking the paternalistic view that hire purchase would incite the working classes to live beyond their means, in that it was underpinned by the belief that people should be able to make those choices.

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decisions for themselves. The argument on advertising was that it was the best way of making new goods available.

With the increasing currency of market-based ideas there are more authors who will write for the IEA now than was the case in the 1950s. As in the past, a significant percentage of this work is still contracted out.

The flexibility and boundary crossing, born partly of scarcity of resources, is seen in part as constituting the nature of the think-tank of the kind examined in this thesis. Indeed, movement actors see their impecunious existence relative to other well endowed institutions in society as contributing to their entrepreneurial subjectivity. One mused that if he were offered millions by a donor he might well turn it down for fear of losing the leanness he saw as reinforcing his organisation's theoretical position and honing its approach. As pointed out in Part One by Chesshyre, the British-based think-tanks of the New Right are generally in no great danger of becoming flabby through affluence, which was his impression after visiting three of them.

A similar impression was gained while visiting other institutes for this project. They resembled small businesses rather than large corporations and appeared to be generally low on human and material resources. Movement actors argue that when one is limited to a small staff, it is crucial to employ people who are effective and suited to the task.

Indeed, the more general task of developing new types of intellectuals and making intellectuals more effective in the dissemination of liberal ideas is one embraced by the Institute for Humane Studies (IHS) outside of Washington, D.C. in Virginia. Set up in 1961, the IHS is identified with an approach referred to as “entrepreneurial philanthropy” which involves the
"aggressive, entrepreneurial search" for and identification of intellectuals engaged in market liberalism, along with a creative approach to enhancing the impact of these scholars.\textsuperscript{541} Entrepreneurship involves identifying a need and ordering the factors which satisfy it, the argument goes, and this is what the IHS sees itself as doing. This, too, can be traced back to Hayek, a link given additional symbolic importance by the fact that it has named after him the fund it has established for assisting young scholars. The Hayek Fund For Scholars is designed to offer "small but highly leveraged grants and expenditures to further the careers and influence" of "future Hayeks."\textsuperscript{542} One contributor is the head of the William Volker Fund, Harold Luhnow, nephew of the man who set up the fund in the 1930s. Like Fisher, he was inspired by The Road to Serfdom, and on reading it became convinced of the liberal position. He, too, met Hayek in 1945 and was instrumental in bringing him to the U.S. soon after. In addition to formulating and employing the strategy of identifying, supporting and developing talented people interested in liberal ideas which the IHS was later to adopt, the fund helped the North American contingent to be the force they were at the first Mont Pèlerin meeting in 1947. In addition to supporting meetings and programmes it has also assisted scholars, including notably Mises, who at the time could not get positions at U.S. universities. It has also published books written by liberal scholars which have been avoided and rejected by other publishers.\textsuperscript{543}

\textsuperscript{543} Blundell 2-4.
The entrepreneurial attitude prevalent among movement actors is seen as being in keeping with the market philosophy which they disseminate, indeed, following Eyerman and Jamison it can be seen as being created in the process of knowledge creation and dissemination.

Blundell sees Hayek’s work as speaking directly to this issue. Making reference to Hayek’s “Historians and the Future of Europe” (1944), “Opening Address to a Conference at Mont Pèlerin” (1947), “The Intellectuals and Socialism” (1949), “The Transmission of the Ideals of Economic Freedom” (1951) and “The Dilemma of Specialization” (1956), Blundell interprets these works as arguing, along with a number of others, that if one is seeking to transform society, then to go into politics is to imprison oneself in a slow process, the outcome of which has been determined decades earlier. It is an issue to which Keynes also spoke, as illustrated by the quotation which begins the main text of this thesis:

... for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest.

Thus, one should seek leverage in the field of ideas as a scholar, intellectual or intellectual entrepreneur. Indeed, it was partly liberalism’s apparent failure to be relevant and inspiring that led to the ascent of socialism, Blundell argues, and thus to Hayek’s efforts to set up the Mont Pèlerin in an effort to counter this process. It is these insights of Hayek’s which influenced the “intellectual entrepreneurs” of the 1940, 1950s and 1960s to wage the battle of ideas they did, he argues.544

544 Ibid 1-3.
An important activity for the IHS is that of helping young academics. This can entail helping selected students with scholarships to enable them to attend universities suited to their study interests, mentoring them through this process and even bringing in some of the best scholars in the student’s field prior to their final examinations with the aim of helping them refine their ideas and defend their positions. Some movement actors describe this process as providing leverage for liberal ideas far greater than could come from someone in the academy addressing a class.

Blundell believes that once tenured and well established in their disciplines, scholars should be encouraged “to come out of the ivory tower and join in public discourse.” This is a theme emanating also from a number of social theorists critical of academics who do not engage in public debate.

In regard to the institutes visited, staff and equipment appear to be more abundant in North American institutes. Most, however, also describe the tenuous nature of their funding. Since it was the institutes inspired by the Hayekian formulation described earlier that were of interest to this project, others which act more like political lobby organisations were not considered – the type which, as Chesshyre observed, might have lunch-time expense accounts greater than the combined income of all three think-tanks he visited.

British-based Cornford, of the IPPR, what would be seen as a left-of-centre institute, also refers to the budget constraints faced by think-tanks. He says core funding is not secure for

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545 For example, at a meeting at the IHS on April 10, 1992 which I attended, one such student, John Tomasi, who was about to submit his thesis to his examiners at Oxford, had the benefit of having his work examined by Alan Ryan of Princeton, Susan Wolf of Johns Hopkins, Will Kymlicka and others in the area from Yale and Harvard, who had been brought in for his benefit by the IHS.

546 Blundell 8.
long and describes the effects of this on someone like himself, who had previously been accustomed to organisations where “rations,” no matter how inadequate, could be relied upon to come up on time.\footnote{547}

Movement actors interviewed for this project on both sides of the Atlantic generally describe their funding as precarious. While there are organisations within the wider international network campaigning for market-based approaches that are comfortably funded as a result of trusts set up by sympathetic donors, the general picture painted is one where income cannot be assumed, indeed a shortfall is far more likely. Nor is raising funds from corporations an easy task, they claim – for the most part, corporations are resistant to competition. They give as the explanation for this that a nationalistic, anti-free-trade discourse is seen by many corporations as preferable to the antimonopoly\footnote{548} stance associated with think-tanks arguing for market approaches. Thus, many corporations approached have no interest in contributing financially to the survival of a network of institutes arguing for changes directly counter to their economic interests, they argue.

It was for many movement actors ironic, given these circumstances, that they should be seen as the mere mouthpieces of capital. They note, for example, that when the IEA published \textit{Resale Price Maintenance \& Shoppers' Choice} in 1960 there was virtually no support for its ideas from business, which was anything but jubilant when Yamey’s paper had a relatively quick effect on policy and resale price maintenance was abolished.

\footnote{547}{Cornford 28. Cornford is shortly to leave the institute to work again for a foundation, this time the Paul Hamlyn Foundation.}

\footnote{548}{The IEA, for example, has been consistently critical of monopoly, argues David Collard in “Market Failure and Government Failure,” \textit{The Emerging Consensus} ... ? 131.}
Institute offices in the U.K. are generally modestly staffed and fitted, with somewhat threadbare carpets not uncommon. It is not surprising to have the senior people in the organisation themselves fetching a cup of tea or a photocopy for a visitor. While in most cases employees and founders remain with an institute for their entire careers, they do not insist on long-term contracts or, as is the practice at universities, life tenure, which is seen as not in keeping with their market-based belief system and counter to sound practice. Yet intellectuals in think-tanks do take on controversial issues – an important justification often cited for life tenure at universities. One example of a controversial topic currently engaging think-tanks is the decriminalisation of drugs such as cannabis, as mentioned earlier, something on which Friedman, for example, has come out arguing that current policy should be rethought.

In keeping with their arguments, they contract out what writing work they can, deeming this more efficient, appropriate to their position and conducive to getting the best author and thus to the likelihood of obtaining the best publication possible. It is also most often the practice that manuscripts are sent out to critics of differing persuasions so as to enable the author to foresee and answer criticisms.

Movement actors describe expenses that are not extravagant, many travelling economy class when they fly, and they do not appear ostentatious at home and in their person. There are a number of articles describing Harris, both because of his flamboyance and status within the wider movement, and they remark, for example, on his lack of financial indulgence. He is said to have a passion to possess only antiques and hats.549

Salaries are more in keeping with those associated with small businesses, and in Britain are generally not as high as could perhaps be achieved elsewhere in the economy. For example, the position of general director of the IEA, subsequently filled by Blundell at the beginning of 1993, was advertised at £50,000 in 1992.550

Movement actors see two main areas of entrepreneurship in an institute like the IEA – one on the fund-raising side, the other on the editorial side. On the editorial side, they see themselves as continually looking out for ideas and authors – ideas they ought to be discussing and authors who could adequately discuss them, and not necessarily authors predictably on the same side. In a liberal tradition, they see ideas as being identified and then tested in the market, something perhaps encouraged by the context of the British empirical tradition, they observe. In the area of fund-raising, the entrepreneurial task is to find sympathetic sources, whether it is because they believe general debate should be fostered, or are generally supportive of market-based approaches. In addition, this activity is entrepreneurial in its quest to find links between matters of interest to certain industries or organisations and related topics which might be examined by the institutes. For example, an institute might try to generate interest in its activities by showing U.S. insurance companies examples of its work on legal reform, since these companies are involved in a lot of litigation in a country in which litigation costs are high.

550 This may seem a salary the equivalent of over $100,000 to the North American reader more familiar with conversion via the foreign exchange rate rather than in terms of actual purchasing power for those who live in Britain. In terms of purchasing power, it is probably more appropriate to see a dollar as close to a pound in what it can buy.
Those who have had dealings with the IEA describe a liberal subjectivity alongside the entrepreneurial subjectivity, in that Harris and Seldon would contact those critical of an IEA publication and invite them to lunch or a seminar to discuss the issue further, notwithstanding the political tendency of the person involved. The IEA is seen as being interested in building bridges and alliances, and those familiar with it report that at IEA lunches there would be an odd assortment of people, many of whom one would not expect to find there. This was also the case at IEA seminars attended for this project, where guests could range from market liberals to radical anarchists who had been smitten by the Mises analysis and abandoned their former socialist notions. These gatherings would also be attended by other movement actors in the international network of institutes, some from other local institutes, others visiting the IEA while passing through London. The existence of a network of institutes has meant, too, that books associated with institutes in one country will often be published by institutes in another, of which an example is The Emerging British Underclass (1990) by Charles Murray – associated with the Manhattan Institute, the Hayek-inspired institute established by Fisher in New York in 1977. Movement actors say that Murray’s book, which was reviewed in the Sunday Times, made an impact and annoyed people intensely, but was recognised by some as having been written in a spirit of openness and with a commitment to humanistic values.

More recently, according to the New York Times Magazine, the Manhattan Institute has dropped Murray, reportedly over his newest book, The Bell Curve, which sees America as increasingly becoming divided into high- and low-IQ societies largely for genetic reasons.551 It quotes Manhattan Institute president William Hammett as being worried that the book would

broach "the genetic inferiority stuff," and says that Murray quickly affiliated with the American Enterprise Institute in Washington.552

Seldon claims that some 20 per cent of IEA authors are left of centre, and consequently, not all of its authors will agree with one another. One such left-of-centre author, who describes himself as "a long-standing critic of the Institute's work," describes his first encounter with Harris and Seldon:

In 1968 I wrote a little Fabian Tract, The New Right: A Critique, which was critical in tone and (worse) carried an aggressive cover illustration (not of my doing) which was taken to be an offensive caricature of one of the Institute's authors. Ralph Harris and Arthur Seldon responded handsomely by inviting me for a long, friendly and stimulating discussion on social policy over a buffet lunch. They later even invited me to contribute a chapter to a book on immigration.

This initial encounter with the Institute illustrates, I suppose, the courtesy and energy of its two remarkable intellectual entrepreneurs, their genuine interest in ideas and, for me the most important, their willingness to truck with the enemy.553

Included in the same collection in which this essay appears are dissenting contributions. One of these, whose author was a member of the Fabian Society and Labour Party in the 1930s, contrasts the IEA and its state-interventionist counterparts, the Fabians. This same attitude of openness to hearing the other side is evident in a more recent publication, Citizenship and Rights in Thatcher's Britain: Two Views (1990) in which Raymond Plant "vigorously sets out the salient ideas of citizenship from the perspective of the Left, and Norman Barry examines citizenship theory from the standpoint of liberal capitalism."554

552 Ibid.
553 Collard 123.
Thus, it is in terms of these practices that, despite its role of critic, the IEA claims the same aversion as the Mont Pèlerin to narrow orthodoxy and sees itself:

... as resisting the advance of a cramping consensus that would end in a corporatist conformity of ruling elites and interest-groups.555

Part of the reason for this openness and willingness to attempt to form alliances can be read perhaps as further illustrating the coincidence between a “Gramscian” position in relation to the need for a protracted and strategic intellectual campaign, and the action of those campaigning for a more market-based society with limited government. If one argues from a position of strength, one does not have to be open or listen to those who are challenging one’s orthodoxy, since the intention is to consolidate the position of dominance. In contrast, if a grouping is challenging an orthodoxy and attempting to create a different world-view and common sense, it has to be open in an attempt to try to negotiate and form alliances so as to create a base from which to operate. Harris, in similar vein, is quoted in an Atlas document observing that Seldon moderated his “natural combativeness,” saying, “Let’s fight them in the footnotes,” remarking as well that their job is to go on making friends, rather than entrenching enemies.

... many of them we will find are just misguided and will become enlightened and all the more effective because of their links to the “enemy legions”, thereby helping us to transmit our ideas more rapidly.556

Indeed, observers familiar with the movement are uneasy that some of the openness associated with figures such as Harris and Seldon is not as evident in some of the newer figures in the

555 Harris, Foreword, The Emerging Consensus ... ? xiii.
556 Harris, quoted in Atlas Economic Research Foundation Manual: Some Do’s and Don’ts for the Public Policy Institutes. Undated, but correspondence suggests the date as 1984.
movement, especially those who are concerned with the more assertive shift into the social field from the earlier concerns which dominated. If, in the 1980s and 1990s a change of attitude among some of the younger generation is occurring, to continue the "Gramscian" interpretation, it perhaps flows from the inward move of the "New Right" from the margins – indeed, the change in context which has brought with it some power, and thus the impulse to consolidation.

According to some who have become convinced there is merit to the market position, it was the reign of an orthodoxy and the lack of debate within Labour-left circles which drove them to look a little more seriously at what institutions such as the IEA were saying. Peter Saunders is one such individual, an academic and sociologist who has not by any means totally embraced the positions championed in circles arguing for market-based approaches. His position, as argued in articles such as "The New Right is Half Right" and in an interview, is that current technology and the scale of production and administration are such that both workers' control and market competition are problematic in the modern period. Holding to the argument which he says is suggested by Max Weber that we live in an "iron cage" in which it makes little difference whether legal ownership and control is in the hands of huge state agencies or huge banks, finance companies and multinationals, he sees many responding by accommodating to this and seeking to safeguard and extend individual autonomy in the world of everyday life, and it is in this that he finds Hayek most compelling.\(^{557}\) It was in the late 1970s, when the right of tenants to buy their council houses was a subject of great debate, that Saunders first became uneasy with the Labour Party. He found that in subcommittee in

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local areas the party members, who included homeowners, would not bring themselves to even consider the issue, the inflexible position being: We don’t sell council houses. (The Thatcher government sold council houses to tenants during the 1980s at nominal prices, often as low as £5,000.)

Through contact and debate with movement actors, Saunders was prompted in the early 1980s to read Hayek, which up until then he had not done. He recounts how he first was excited by Hayek while on holiday with his family, when he read The Constitution of Liberty under a kerosene light in a tent. While noting that pointing to moments of conversion can often be “dodgy,” he says that this might have been his. He realised, he said, that there was this whole body of literature that had been locked away under a label which said, “Don’t touch, dangerous, don’t go near.” Some of this material was provocatively challenging, something he always liked and which he believed social science is about, and indeed it had been this same characteristic that had attracted him when reading Marx.

Saunders sees the experience as similar, that the same thing happens when you first “hit” Marx as when you first “hit” Hayek. He explains that while you may not agree with it all, you can sense that the author is battering down things one has always taken for granted. He said that when he returned to the university after his holiday and started to convey his excitement he could feel himself being isolated in the same way as he had seen happen before. Nevertheless, he says, he left the Labour Party after long deliberation, since membership at that time was like a marriage — one was not allowed to leave.
Saunders said that while he might not have made direct reference to Hayek or similar scholars, they nevertheless had inspired in him the confidence to push different positions and articulate better arguments on issues such as home ownership in the late 1970s.

However, despite this intellectual reconsideration, Saunders was still apprehensive about writing the article “The New Right is Half Right” for Seldon’s 1985 book, a collection of authors writing on “The spectre haunting the left,” saying that while it sounds “pathetic” now, it was at the time a daring thing to do.

Saunders says a lot has changed since then. More people are reading Hayek, in some departments certainly. While they may not agree with him, they are interested and therefore don’t think one is “weird” for having an interest in him. The shift in climate has increased his confidence to engage in debate, but he notes that there are still not that many people in sociology, his discipline, who are considering the position.

Remarking on the way in which his perceived shift is seen, Saunders says some of those who believe him to be an intelligent individual with his heart in the right place see it as undermining their ontological security, and are thus puzzled by his “shift.” His shorthand response to them is that he is not sure he has shifted in the way that people think. The set of values he holds as a human being are, he insists, the same as when he was a socialist and in the Labour Party.

Saunders sees a classic organisational displacement of ends into means as responsible for his disenchantment. He still does not like privilege, unearned and undeserved, and he still claims to get inspired by the idea that people can take their life and do something with it. The notion of triumphing over adversity still makes him feel a “tingle.” All that has changed, says, is his
belief that the type of politics practised by the Labour Party is the way to achieve it. For him, not all of *The Road to Serfdom* is convincing, but while he finds some of the arguments weak, he believes the basic thrust is right, and thus sees it as being in bad faith to stay with the policy of large-scale state planning which Hayek argued against.

Although there are indeed those who do not seem to share this sensibility, a number of the movement actors interviewed for this project suggested a similar personal moral attitude. One example was the movement actor who, in response to a playful remark on a rainy day that a meeting should have been held in the Bahamas, said that he would never go to a place with such heavy CIA involvement, generally skewed distribution and income inequality. In another example, a different movement actor expressed his distaste for the situation where parliamentarians would expound on the reasons for restricting the access of the working classes to liquor, often while sipping a claret in the establishments of Westminster, which has many locations where much freer consumption of alcohol is allowed.

Similar instances were witnessed in the U.S. For example, movement actors would debate and argue, putting forward the position that perhaps a change in the drug laws was necessary, if only to benefit poor inner city dwellers. A legalisation of drugs would take power from drug lords and thereby benefit blacks in inner cities who were most often the victims of the drug wars in drive-by shootings, the argument went. In contrast, they remarked, the upper and middle classes were mostly protected from this crime in the sanctity of the suburbs.

Movement actors give the interpretation that there is an inspirational programme, one based on the belief that people can run their own lives – a leap of faith which, they recognise, may
not be rewarded. The project, insist movement actors like Harris, is to direct attention to competitive markets which, as a mechanism for satisfying consumer preferences with a minimal use of resources, have no equal and enduring substitute. It is at the same time not to deny or ignore dissatisfaction with a distribution of incomes which limits the effective demand which poorer consumers can exert in the marketplace.\(^{558}\)

Blundell warns against the temptation of seeing the battle of ideas as won, with the rolling back of the state the only remaining task. He believes the Fabian Society made this mistake in 1945 following Labour’s victory at the polls, when members abandoned the battle of ideas to rush into government, thus leaving a vacuum. This, he argues, allowed the IEA to grow in influence unchallenged until the establishment of the IPPR in the late 1980s.\(^{559}\)

Following Eyerman and Jamison, this chapter has attempted to consider the movement by reading it in terms of the three notions subjectivity, activity and context, and by using their operational groupings or classifications through which they set out to identify the cosmological, technological, and organisational knowledge interests of contemporary movements to do this. These three dimensions serve as an analytical framework within which a movement’s cognitive identity can be conceptualised,\(^{560}\) a framework useful for the research process.

The cosmological dimension, that is the common world-view assumptions that give a social movement its utopian mission, was “read” through books, articles, programmes and seminars,

\(^{558}\) Harris, Preface, \textit{Half a Century of Hobart's} 4.
\(^{559}\) Blundell 7.
\(^{560}\) Eyerman and Jamison 70.
documents and texts – both written and oral – associated mainly with the Hayek-inspired IEA and the similarly inspired Mont Pèlerin, since it is primarily through this world-view that a movement articulates its historical meaning, according to Eyerman and Jamison.

The technological dimension, likewise, has been “read” by considering the specific, mostly micro rather than macro attitudes which identified and formed the concerns, issues, methods and approaches articulated in their practical activity, these attitudes again being seen as located in the movement texts and contexts. For Eyerman and Jamison it is between the theory, or the cosmological, and the practice, or technological dimension, that the organisational dimension is located.561

This third aspect considers the particular organisational paradigm, which reveals both the ideals and modes of organising the production and dissemination of knowledge of the movement. It is through the organisational dimension that movements get their message across, and an examination of the think-tank form here, and specifically the IEA, has attempted to show how this form facilitates and contributes to the process in which new kinds of intellectuals are developed at the same time. Indeed, in the terms of Eyerman and Jamison, it is within the organisational form that the cognitive praxis of the movement unfolds.562

Thus, aspects of the identity of the movement – for example the critique, incorporated in the liberal/libertarian world-view, of the expert and thus the elitism often associated with the position that privileges the authority – unfolded within an organisational form appropriate to it

561 Ibid 76.
562 Ibid 68-69.
while specific concerns were addressed, such as the right of authorities to decide for individuals whether they should be able to purchase goods on credit.

It is the combination of the three dimensions into a core identity which makes up the social movement, which can be a struggle not so much for political power and incorporation, but rather for autonomy.\textsuperscript{563}

\textsuperscript{563} Ibid 78.
CHAPTER 10

Winning Consent for Market-Based Thinking, 1974 to 1981: Creating Spaces, Expanding the Network and Translating the Model

The "movement" or whatever it is, grows spontaneously.\textsuperscript{564}

Market analysis might predict that a successful organisation is as likely to be emulated as any other successful “product.” Likewise, scholars focusing on the propagation of ideas would predict that an organisation successful in the battle of ideas would inspire others with similar aims that would attempt to recreate it, in the way that the movement arguing for market-based approaches learned from the movement led by the Fabians before it arguing for a collectivist approach. This, indeed, is what has happened with the IEA.

The proliferation of institutes from the 1970s onwards, the period which the theorists discussed earlier see as holding the roots of the New Right, included some modelled fairly directly on the IEA, established some two decades earlier. Other reproductions held to the research and policy institute format but diverged considerably in regard to strategy, such as the CPS, the ASI and many of the other organisations campaigning for limited government which sprang up in the 1970s in Britain and North America. The IEA’s Fisher himself contributed significantly to this international “reproduction,” establishing institutes in North America from the mid-1970s which attempted to follow fairly closely the earlier Hayek-inspired model described in the previous chapter.

The first of these was what is now called the Manhattan Institute, referred to in the previous chapter, which Fisher set up in New York in 1977\textsuperscript{565} (originally called the International Center


\textsuperscript{565} A further institute was established in 1977 in Dallas called The Fisher Institute but it did not
for Economic Policy Studies, ICEPS). That was followed by the Pacific Institute for Public Policy Research in 1979 in San Francisco (now Pacific Research Institute for Public Policy), and the meta-institute, the Atlas Economic Research Foundation, in 1981, the aim of which was to help to create, develop, advise and support an international network of public policy research institutes independent of government, party politics or any other dominating donor. The table below illustrates the quickening growth of research and policy institutes in the

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**TABLE 5**

INTERNATIONAL GROWTH OF RESEARCH AND POLICY INSTITUTES RESISTING LARGE-SCALE STATE INTERVENTION AND PROMOTING MARKET-BASED APPROACHES

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survive long. On August 31, 1981 Fisher wrote to Hayek that the Fisher Institute in Dallas “is not what it should be, but I think we can put that right.” Collection title: F.A. Hayek, Box number 19, Folder ID 9 A: Fisher Correspondence.
second half of the twentieth century, starting with the founding of the IEA in Britain in 1955. Atlas now lists more than 100 institutes in 50 countries with which it has links.⁵⁶⁶

The primary function of Atlas remains the provision of seed money, practical advice, strategy and market-based and -informed guidelines to encourage the development of public research and policy institutes world-wide. These institutes not only provide “products,” for example pamphlets and books arguing for limited government and market-based policies, they also create and maintain the process by which the network of movement members is supported and fostered, both materially and symbolically.

It is tempting to adopt the market metaphor and see Atlas as a franchise operation, but this would not be very useful for a few reasons. Atlas maintains some distance from the institutes it facilitates, neither running nor controlling them. It encourages them to remain politically, financially and intellectually independent, it says. Also, the kinds of people interested in setting up institutes who approach Atlas would be seen generally as fairly “individualistic,” eccentric or strong-willed and not likely to take kindly to the controls usually placed on franchisees. Nor would the uniformity which generally attends franchise operations work for research and policy institutes, given that they have to be particularly sensitive to the particular context in which they are operating to be successful. Movement actors stress that what worked in one geographical location may not easily work in another without considerable refashioning. The intellectual milieu of London is different from that of New York City, and indeed New York City’s is very different from those of other American cities such as San Francisco and

Washington, not to mention other aspects such as the different national charity laws under which institutes have to operate.

The phenomenal growth in Hayekian institutes in the 1970s and 1980s was a surprise even to Fisher and, as discussed in Chapter 1, a source of alarm to some, who categorised it as a New Right phenomenon, inspired by changes such as those associated with a restructuring of global capital, indeed, as a response to it and the crisis of the same decade. Thus Fisher’s reference to the “movement or whatever it is” which was growing “spontaneously” when he wrote to Hayek in 1982.

Some two years later, Fisher, also arguing the position held by movement actors interviewed for this study that the creation and discovery of knowledge is a co-operative undertaking, would write to Hayek of the success Atlas was having in convincing people internationally of a different “common sense,” saying that:

Atlas is helping to develop an international consensus ... agreeing with Socrates’ contention that because of the limitations of individual knowledge, the search for truth must be a cooperative effort. Either we are very lucky, or we are demonstrating that the independent application of the principle of independence, by dedicated and able individuals, wherever they may be, has similar consequences.  

The year after the publication of his book Must History Repeat Itself (1974), Fisher found himself living in North America following a call for help from one of the founder members of the Fraser Institute, which had been set up in Vancouver in 1974. Michael Walker, the Fraser Institute’s executive director, says in one interview that MacMillan Bloedel’s then

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president, Pat Boyle, one of the driving forces in the Fraser Institute's formation, had been told about the IEA\textsuperscript{569} by a friend, also a newly invited trustee.\textsuperscript{570} (The members of the initial group on the incorporation document were all Pat Boyle's friends, Walker is quoted as saying in the interview.) Boyle approached Fisher, who, since he had sold his chicken business and was thus retired, was asked to come out to Vancouver to help it, which Fisher did, acting on a temporary basis as director.

The Fraser Institute was thus set up in advance of Fisher's later involvement and is therefore not one of the Hayek-inspired Fisher institutes in the same way as are the Manhattan, Pacific and Atlas organisations on which the emphasis in this study falls. It was perhaps a contributing factor to Fisher's geographical extension, but the international project of founding Hayek-Fisher institutes which this study examines begins with the Manhattan Institute, founded in 1977 and now run by Bill Hammett, who worked with Fisher and was among those in the network interviewed for this project, as detailed in the appendix.\textsuperscript{571} Hammett has been with the institute since 1980, when it was still being run by Fisher. The Pacific Research Institute for Public Policy in San Francisco is no longer being run by the same person as in the


\textsuperscript{571} The Fraser Institute is not considered closely in this study, for the reason that it is not in the "Fisher family" in the genealogical sense and, as pointed out in previous chapters, exhibited an attitude which made an examination of its practices difficult, unlike the other, more open institutes, and also for the reason that it may be too different from the institutes considered here. In addition, there do appear to be some sharp contrasts between the Fraser Institute and its counterparts in other geographical locations, even from a distance. For example, in terms of organisation, under "staff" in the North American \textit{Research Centers Directory} (1990), the Fraser Institute lists "14 economists, multidisciplinary researchers and support staff." It lists offices in Seattle, Toronto and Winnipeg. In the same 1990 edition, the Atlas Economic Research Foundation has a staff of three listed, while the Manhattan Institute for Policy Research has 10 listed. As discussed in the previous chapter, the institutes visited in the U.K. were also slender on staff.
1970s but by Sally Pipes, formerly of the Fraser Institute in Vancouver, who has been 
president through the 1990s subsequent to Fisher's involvement.

It appears that it was from this North American location that Fisher's plans for an 
international extension and emulation of the IEA model were consolidated. Writing to Hayek 
in August 1975, he expressed a belief that the IEA model could be beneficially reproduced. He 
remarks:

> Important as the genius of Ralph Harris and Arthur Seldon 
> may have been, I believe that the "formula" of the IEA provides 
> a good model for others ...

He made reference to the myriad organisations which were springing up, but observed that 
helpful as they might be, he believed they would only achieve the right results if inspired by 
the same model as the IEA, which was based on the ideas of Hayek. He mentioned a number 
of people who had knowledge of the IEA and had approached him. Fisher believed that the 
time was right for getting as many IEA-type organisations going as possible, stressing the 
importance to this of following the strategy of raising many small subscriptions so that:

> "...as with the IEA – no-one is so dominant as to influence 
> the work improperly."

Fisher, given his view that the creation and discovery of knowledge is a co-operative 
endeavour, as discussed above, did not view the development of other institutes as 
competition to be shunned. Rather, his attitude was one of "co-operative competition" – he 
saw it as beneficial to the movement as a whole that other organisations developed outside of 
the IEA model. He stated the same belief with regard even to those which had not been set up

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title F.A. Hayek, Box number 20, Folder ID 11.
on the IEA/Hayek model. For example, in a letter to Hayek in 1980, Fisher wrote that the Adam Smith Institute in London “deserves all the support it can get” and expressed the need to see several institutes develop so as both to “cover the ground” and through the “competitive process, develop the most efficient methods.”

In this process movement actors in institutes, through their activities, have geared up to win consent for a more market-based order and increased interest in liberal ideas and market-based approaches generally, thus widening the market. This has occurred in much the same way in which some markets, especially newly developing ones, grow along with the increased interest which comes with every new entry into the market, making all in that market better off.

It appears that before embarking on launching the “Atlas Network” of institutes in 1981, Fisher wrote to figures like Hayek and Friedman for endorsement. Among Fisher’s letters is one from Hayek and another from Friedman, both dated 1980 and which appear to respond to letters from Fisher at the end of the previous year, asking for support for extending the network of institutes along the lines of the IEA. Hayek’s response is enthusiastic and expresses agreement that the time has come when it is both “desirable” and, again using the language he did in the preface to The Road to Serfdom, almost a “duty” to extend the network, saying any efforts to that end have his blessing. Friedman is similarly enthusiastic, writing:

Any extension of institutes of this kind around the world is certainly something ardently to be desired.

574 Hayek, letter to Fisher dated January 1, 1980 among Fisher’s letters kept by the Whetstones.
575 Milton Friedman, letter to Fisher dated May 8, 1980 among Fisher’s letters kept by the
This correspondence illustrates the continued importance of Hayek to the maintenance of the
movement out of which grew the network of think-tanks, as it does the interconnected nature
and role of the intellectuals in the movement. This interrelationship is evident again when
Hayek expresses a belief that in the IEA, Fisher, Harris and Seldon have built a model for the
dissemination of ideas.

In building up that institute and trying the technique elsewhere, you have developed a technique by which more has been achieved in the right direction than in any other manner. This ought to be used to create similar institutes all over the world and you have now acquired the special skill of doing it.576

Fisher’s first foray into a different environment with the establishment of the Manhattan Institute is one such instance. Taking the IEA model, developed in the political and financial capital of Britain, Fisher translated it into the North American market some 20 years after the IEA. The Manhattan Institute has now been somewhat refashioned under Hammett’s leadership, but maintains aspects brought from the IEA by Fisher. Fisher laid out guidelines along the lines of those he and others had stressed with the IEA, such as the need to remain aloof from party politics. He also instilled a fairly high degree of respect for academics and scholars, says Hammett. To this the Manhattan Institute has conformed quite closely, tending towards the academic and scholarly rather than the political and popular. It is seen as a fine line, however, and Hammett says that the institute tries not to get too carried away in either direction, continually crossing the line, backward and forward, but more often than not coming down on the scholarly side.

Hammett gives Fisher a good deal of the credit for pointing the Manhattan Institute in the direction which it follows. He says Fisher was always a believer in the power of books and that, too, has become one of Manhattan’s strengths. Indeed, it is this emphasis that he believes separates Manhattan from many of the other think-tanks – the production of relatively few titles but which have great impact. Hammett believes good books are measured in twos and threes, not dozens, and it is for this reason that the Manhattan Institute judges its performance on the quality of its books rather than on the number of titles it manages to publish.

Hammett, like Fisher, holds books in high regard. They can be subversive, crossing boundaries, infiltrating and circulating in alien cultures, falling into the strangest and most unexpected of hands and changing points of view in this process. That is what inspires admiration and makes books so remarkable for Hammett, who sees them as the most important thing there is. He cites The Road to Serfdom as an example of exactly these properties.

However, the IEA model needed translation to particularise it to the American market. To survive in New York City, attention had to be focused on the media establishment, which was very dominant, says Hammett, and still is, but less so. In light of this a purposeful effort was undertaken to build bridges and accommodate the institute to that world at the same time as providing an educational function by imparting a knowledge and understanding of the market. A strategy for this was formulated as the result – to be Hayekian – of an unintended consequence. Hammett was putting together the first small ICEPS (as it was then called) brochure on the institute and its activities and, finding he had a small space he needed to fill,
he added in, along with the other activities that the institute hosts, a mention of occasional lunches and seminars for the media to expose them to the research. With this activity having been proclaimed in writing, the Manhattan movement actors decided they had better be true to their word, and some 30 to 40 people turned up for the first luncheon. They have since held hundreds and it is one of the activities for which they are best known, says Hammett.

While this activity has similarities to the IEA luncheons, it was adapted to the New York City environment, one which Hammett stresses is very demanding and where the audience is very critical and diverse and has a wide array of intellectual activities offered it on a regular basis. Thus, a product has to be of a certain quality if one wishes to establish an ongoing relationship with this audience.

This knowledge creation and adaptation discovered by the particular institutes is in turn passed on to other movement institutes and actors. In a manual of "Do's and Don'ts" for public policy institutes compiled by the meta-institute Fisher was later to establish, Joan Taylor of the Manhattan Institute offers this activity as an example of how one activity can facilitate another in that these luncheon fora frequently would become the basis for a Manhattan Report, the institute's small periodical.577

Part of the response to this critically demanding audience has been to insist that the books brought out by the institute are published by mainstream publishing houses such as Oxford and Harvard, and while this is a large hurdle, it is one that over the years has become "a

quality improvement hurdle.” Quality is heightened considerably by this aspect, especially in light of the fact, says Hammett, that since their work is coming from an unconventional point of view, publishers are even more fastidious in scrutinising it with an eye to publication. However, many books share the initial fate of Hayek’s The Road to Serfdom, with publishers reluctant to take them on for the same sorts of reasons Hayek’s book was avoided by North American publishers before its acceptance by the University of Chicago Press. The more exacting standards to which the institute has been subjected as a result might be unfair in one sense, but worked in the long term to its benefit, argued Hammett, for a bad book is worse than no book at all. The approach also encouraged the institute to bring in people from the outside with fresh perspectives able to write legibly for a somewhat popular audience as well as having something original to say, rather than merely relying on fellow-travellers to fulfil this task, says Hammett. This makes effective people and people effective, and contrasts with those preaching to the converted, or to their respective captive audiences, he argues. The aim is to compel even one’s critics to read one’s books, review them, even attack them. Being attacked indicates that one has touched something which has importance, and thus is not a position which should give rise to uneasiness. Quite the contrary, argue movement actors, such as Hammett – books that are ignored should be the ones that do that.

Publishing strategy also had to be adapted to the North American context. The pamphlet, or monograph form which the IEA used to favourable effect is not considered effective in the American milieu. Hammett, describing IEA pamphlets which he remembers reading in the 1970s as “tremendously influential, outspoken, thinking the impossible; some of those Hayek and Buchanan pieces, they were wonderful” says pamphlets generally do not work on his side
of the Atlantic for a number of reasons. Bookstores won’t sell them, and the U.S. does not have the same sort of elite as Britain, where quality newspapers can be aimed at these groups in the knowledge that they are in general well informed about the IEA, the Adam Smith Institute and other such organisations. In the U.K., if one gets a thousand pamphlets into the quality newspapers and some of the bookstores, one has reached one’s desired audience, whereas in the U.S. newspapers consider themselves mass market publications and therefore do not place the same emphasis on such institutes and organisations.

Charles Murray’s Losing Ground: American Social Policy 1950-1980 (1984) is one such example of a book making a significant impact, says Hammett, still selling some 5,000 copies a year a decade after publication (prior, of course, to the dropping of affiliation with Murray discussed in the previous chapter). Walter K. Olson’s The Litigation Explosion: What Happened When America Unleashed the Lawsuit (1991), which deals with what one reviewer called “one of the true growth industries in the United States” is another. It sold 17,000 copies ahead of even the paperback edition and was reviewed in over 30 major newspapers.

The impact of Fortune editor and Manhattan Institute fellow Myron Magnet’s The Dream and the Nightmare: The Sixties’ Legacy to the Underclass (1993) was as dramatic. Shortly after release it was out of stock in most bookstores, the publisher was backordered and the book had gone into a third printing, according to Hammett.

Articles reviewing the activities of Hammett’s organisation – quoting what North Americans refer to as liberals, meaning those favouring government intervention – prefer to see the

578 “You’re libel to be sued,” The Boston Globe Boston, Mass.
Manhattan Institute as "innovative" rather than conservative, shaking up the New York status quo, and as a fount of new ideas, and it is these aspects that attract Democrats to the institute who do not consider themselves conservative.\textsuperscript{580} Hammett believes categories such as "liberal" and "conservative" inadequately describe current political reality. He puts the Manhattan position thus:

\begin{quote}
We’re in favour of radical decentralization of government, of radical welfare reform. I don’t see what’s so conservative about that. We’re in favour of the assimilation of immigrants. For that reason I don’t think the conservative label works.\textsuperscript{581}
\end{quote}

Charles V. Bagli, the writer of the article in which Hammett is quoted, remarks that it is in his interests in a “liberal” city like New York to steer clear of those labels, which he finds archaic and is happy to reject, seeking rather a broader base. As discussed in an earlier chapter, the running of a think-tank in such an environment takes a sophisticated, cosmopolitan approach to politics, based on an understanding of the importance of negotiation, flexibility, openness and the forming of alliances. Bagli says of the Manhattan Institute: “It doesn’t liberal bash.” Indeed, this is the attitude, evident as held as well by the IEA, as discussed in the previous chapter, that one could expect of those involved with what one could refer to as a Gramscian project of winning consent for a different interpretations or set of ideas.

Echoing the views of scholars such as Jacoby in \textit{The Last Intellectuals}, Hammett ascribes the success of multidisciplinary organisations such as think-tanks partly to the failure of universities to fulfil the role of informing the citizenry on the public life of the nation and providing the information that informed, intelligent citizens need to create a better world, a


\textsuperscript{581} Ibid 12.
refrain becoming increasingly prevalent, as discussed elsewhere in the thesis. Michell Moss of the Urban Research Center at New York University takes a similar view. In an interview, he said the Manhattan Institute had filled the intellectual vacuum created in part by the dismal level of political discourse at the universities in the city.\textsuperscript{582} This and other critiques of the university and its disciplines and specialisations, long criticised by figures within the academy such as Alvin Gouldner and Harold Innis earlier, are becoming more widespread and emanate from sources as different as Demos' Jacques and Susan Riley, a journalist on the \textit{Ottawa Citizen}.\textsuperscript{583}

Where, Hammett asks, do the opinion-forming people get their information from? He argues it comes much less today from the academic world than it used to, mostly because universities have been captured by what he refers to as a guild mentality. A small group publishes work for itself, often of a very limited and technical nature, and university publishing has become a narrow journalism, he argues. Hammett remarks that the academy generally frowns on academics addressing a popular audience. Those who do can risk harming their careers, with many bright scholars now choosing to avoid these confines, the politicking and what he refers to as "bizarre guild requirements."

Two years after the Manhattan Institute, the Pacific Research Institute became the next "incarnation" of the IEA model in North America. Along with other institutes in the Fisher/Hayek network, it does not accept government funding and with its charity status is supported through contributions from foundations, corporations and individuals. Its activities

\textsuperscript{582} Ibid.
are similar to those of others in the network, consisting of publications ranging from newsletters and briefings to full-length books aimed at the scholarly and professional public policy audience. It claims to have published about 30 books – some of which have been adopted as prescribed material for more than 500 courses at colleges and universities. Among them is Ronald Hamowy’s *Dealing with Drugs: Consequences of Government Control* (1987), which has gone into a sixth printing. It puts the position that expensive policies enforcing drug laws fail to curtail drug use and abuse, drain economic resources, distort U.S. foreign policy and interfere with civil liberties. The current head, Pipes, did not work at the institute during Fisher’s time, and has been there only since the 1990s.

After setting up the Manhattan and Pacific institutes, Fisher disengaged from detailed personal involvement with these organisations and concentrated on the Atlas project. Writing to Hayek in 1981, Fisher discussed the ingredients of an effective institute, expressing a belief in getting the right person as catalyst and asking Hayek if he knew of any such individual.584

A review of this growth – based on interviews and documents related to the movement – reveals that each institute, although taking the IEA model as its guide, develops differently, with the particular institute entrepreneurs seeking out different and better ways in their particular context for the winning of consent for limited government and a more market-based order.

Fisher’s correspondence indicates that the idea of a meta-institute to facilitate the growth of an international network of institutes had been with him from at least 1979, when he

established the Pacific Research Institute, and it appears to come out of his experience with the two early institutes. While its function is obviously somewhat different from those of the Mont Pèlerin Society and the IEA it, too, follows the philosophy which inspired the two founding organisations. This is clear in a manual of guidelines for public policy institutes compiled following an Atlas network meeting held alongside a Mont Pèlerin meeting in 1983. Atlas, echoing the philosophy of both the Mont Pèlerin and the IEA, states that it is not the intention to create a narrow orthodoxy, to align itself with any political party or parties, or to conduct propaganda. It also stresses that the moral case must be made for a “free society,” for “it is insufficient to merely make the economic critique."

Atlas’s activities are analogous to an institution engaged in distributing venture capital. Prospective institute heads come up with a plan, which must be reasoned and structured. The feeling is that if the idea cannot be sold to Atlas, there is little chance of selling ideas to the larger target audiences. This stage is followed by the incorporation process which Atlas facilitates, in which the institute is constructed in terms of educational goals and charitable status. In some senses Atlas can be seen as taking the risks alongside the fledgling institute whose development it is facilitating.

As indicated earlier, there are today more than 100 institutes in 50 countries, linked in what is described as a loose association of independent research institutes that share information and knowledge about research and management techniques. Some are closer in their activities to the conception discussed above than others, and Atlas ranks them in three groups in terms of adherence to Atlas criteria. In the first grouping are placed those closest to the ideal, with the
criteria used relating to such factors as independence, long-term educational goals and serious research. The first grouping lists those considered most autonomous, being independent of business organisations, government agencies, political parties and universities. They regularly research leading economic, political, and social problems and offer their findings for public scrutiny with an agenda determined by long-term aspirations of improving the economic and political life in their communities. This, it is observed, requires a process of peaceful, educational persuasion that takes a long time to accomplish and demands perseverance and what they refer to as adherence to sound and principled research, which is seen as that which is credible and objective and published in a style accessible to lay audiences but rigorous enough for use at the university level.585

Institutes in the second grouping lack one of the important identifying features but are likely to adopt the Atlas method, while those in the third lack more than one feature but maintain an “amicable” relationship both with Atlas and others in the network.

“Do’s and Don’ts” in the Atlas manual mostly take the form of advice and suggested approaches based on the experience of movement actors already in Atlas-affiliated institutes. Under the heading “The Philosophical Base” are two contributions by Harris, where he suggests that the “vulgar rhetoric” of “free enterprise” be avoided, and indicates that the task is to make friends rather than entrench enemies.

Under the heading “Main Objectives,” the observation, echoing Hayek, is made by Friedman that the dominance of the collectivist idea came about as the result of an intellectual effort,

and that to change it would therefore require that intellectuals be influenced. This, for him, is the job of the “retailers” of ideas, the institutes, in conjunction with the “manufacturers,” the academics. Friedman recommends that both sides of an argument be presented, asserting that comparisons are valuable and knowledge of adversaries’ arguments can help one find suitable answers.

The man who has the reputation of the movement’s doyen of book commissioning, Seldon (some 90 per cent of IEA publications were commissioned, he says), offers this advice in that regard: The marketing of ideas requires selecting a marketable subject – applied economics, not theoretical, for instance. He disagrees with Friedman that there can be an easy separation between retailers and manufacturers of ideas, arguing that the IEA should not be considered one or the other. Seldon reflects on the pride of encouraging new research and describes how he and Harris would outline what was wanted and ask writers to prepare the research, thereby generating new knowledge, new research in a process which, he argues, led to some of the best IEA papers.586

Another guideline under this heading echoes Hayek’s position that there has been far too much emphasis on econometrics and mathematical economics, which leads to a sort of interventionist frame of mind where people start to believe you can manipulate the real world just as you can manipulate the model.

Advice from Fisher on setting up an institute shows further how Atlas and its network can facilitate the process. He suggests that one of the quickest and least costly ways of getting an

586 Atlas guidelines suggest that every publication should have a disclaimer, stating that institutes do not have opinions, only authors do.
institute off the ground is to get permission from an institute in the network to reprint one of its books.

The advice thus collected from institute and movement actors at the Atlas/Mont Pèlerin seminar is substantial. A remark from Harris, however, illustrates how differently these institutes can be constituted in particular locations, possessed of different attitudes.

You don’t want to get drawn in behind the chariot wheels of politicians, who will use you and misuse you if you’re not very careful. Even with Mrs. Thatcher, we don’t object when she takes up ideas associated with the IEA, but if the IEA’s credit were linked with the performance of particular matters of Mrs. Thatcher, the IEA would be the poorer. We would run out of credibility in areas where we can be more effective. But then, in America, our opposite numbers are more closely associated with politics than I would find comfortable, a difference perhaps in countries, in attitudes and institutions.587

Such differences are set to become increasingly pertinent. In the early 1990s, a third of the grants and aid going to fledgling institutes goes to those in North America, with another third to the rest of the Americas. The Pacific Rim is seen as the new focus.

One constant across time and space is perhaps illustrated by a quotation from the diary of Fabian Beatrice Webb, which is incorporated in the Atlas manual. What she calls hard thinking, the need for research and study, is still articulated by movement actors within the grouping that developed in response to and which opposes the interventionist position put by the Fabians. This quotation concludes the Atlas manual.

The ball has been set running and it is rolling down the hill at a fair pace. It looks as if the bulk of the working men will be collectivists before the end of the century. But reform will not be brought about by shouting. What is needed is hard thinking... So Sidney has been planning to persuade the other trustees to

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devote the greater part of the money to encouraging research and economic study. His vision is to found, slowly and quietly, a ‘London School of Economics and Political Science’ – centre not only of lectures on special subjects, but an association of students who would be directed and supported in doing original work.

The task of the collectivists’ adversaries – that of convincing the bulk of people that market-based approaches are far preferable to large-scale state intervention – they now see as possible by the end of this century, and it is through the research and policy institute that they embarked on the project.

However, Blundell was still warning in 1990 that movement actors should not be “duped” into believing either that the battle of ideas had been won, or that shortcuts could be taken.

In a very real sense, the battle of ideas will never be won. However far we travel along the road to a free society there will always be a temptation to backslide and thus there will always be a job for market liberals to do at all levels, from the practical to the scholarly. In particular, we must ensure that liberal thought continues to be relevant and inspiring. Liberal scholars must continually take up challenging, cutting edge work and strive to be at the forefront of their disciplines. To draw on Hayek again, we must retain “that belief in the power of ideas which [is] the mark of liberalism at its best.”

In contrast to this view, which sees intellectual battles as protracted and always incomplete, there are those who view intellectual battles as being of a far shorter duration, based on their analysis of Thatcherism.

As argued earlier, the welfare state was indeed challenged in the 1970s by a growing host of organisations rallying against what they argued was an ever greater government encroachment on the private sphere and civil society, but as stressed previously this challenge was delivered

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mostly along the lines of a market philosophy already rendered coherent by years of activity on the part of neo-liberal and libertarian intellectual activists. This organisational activity of the 1970s, dramatic as it may have appeared, seems to have blinded these theorists to the earlier, protracted intellectual work of movement intellectuals and activists which was crucial for these later endeavours. As detailed above, the IEA, formed some 20 years before the proliferation of organisations and institutes, was possibly the most important movement organisation, almost always heavily influencing either the intellectuals who were to form later institutes, or indeed, through Fisher, actually facilitating the setting up of think-tanks from the 1970s, a development which gained impetus with Fisher’s establishment of Atlas in 1981.

Aside from the Hayek/Fisher institutes which are the focus of this study, a number of groups and organisations important to the movement were set up in Britain in the 1970s, all of which had been heavily influenced by the IEA.

One of the earliest of these was the Selsdon Group, founded in 1973, which was especially important to the transformation of the Conservative Party – which had traditionally been a paternalistic party stressing national and organic unity, collectivist values and an antagonism towards economic liberalism – and therefore to politics and policy. The Selsdon Group’s name came out of the earlier Selsdon meeting in 1970, as discussed earlier, which in turn led to the term Selsdon Man making its way into everyday language, hence the reference by Hall quoted in Part One. The Selsdon Group grew out of a disappointment with the Heath government on the part of liberals within and associated with the Conservative Party, under which Toryism was referred to as a form of paternal socialism, and it led to the formation of the Centre for
Policy Studies (CPS) by Joseph and Thatcher the following year to convert the Conservative Party to the market ideas which the IEA had been disseminating in a wider intellectual field.

As discussed earlier, the Heath government of 1970-1974 had failed to live up to the expectations of many voters and others who had expected it to take a market-based approach to government. Thus this grouping, influenced by the ideas associated with the IEA, and the first established to push the until then traditionally anti-market Conservative Party towards a more market-based position and to work for a liberalism within the party, was in many ways a consequence of the protracted intellectual campaign engaged in by the IEA. Indeed, the influence was often direct. For instance, intellectuals and activists were shared, of which Russell Lewis, acting head of the IEA in the early 1990s between Mather’s time in office and that of current head Blundell, is an example. Russell had been president of the Selsdon Group.

The group was addressed by both Hayek and Fisher, and a number of its members point to the publications of the IEA as being formative to their position of economic liberalism.

More important than the Selsdon Group in policy terms, but inspired by the same forces and impulses including, of course, the IEA, was the CPS, established in the following year. This Conservative Party think-tank was set up in 1974 by Joseph and Thatcher ahead of her election to do in political terms what the IEA had done in intellectual terms, in other words, to put market theory into practice. Like the IEA, it published pamphlets, often for a readership beyond the party, its principal intended audience. One of its first was Why Britain Needs a Social Market Economy, discussed earlier. It was under the leadership of former journalist and communist Alfred Sherman that it was seen as being at the height of its power, and even
then it failed to dissuade the more orthodox within the Conservative Party from their collectivist, “One Nation” view of the party. The division between the Thatcher/Joseph grouping and those who resisted their economic liberalism within the Conservative Party gave rise to the terms Wets and Drys in journalistic accounts.

In addition to its impact within the party, the CPS’s persuasive activities were felt more widely, notably in Joseph’s speeches. Helped by the skills of CPS’s Sherman, these were to have an impact outside of the targeted internal political area. Joseph made numerous speeches in the 1970s influenced by the thinking of Hayek, Mises and others from the Austrian School located at the LSE, of which the Stockton Lecture in 1976, entitled “Monetarism Is Not Enough” is one of the most enduring examples. In a critique of Keynesian thinking, he described Britain as over-governed.

Many of these took place at universities and what were then still referred to as polytechnics, and most were far from well received. In addition, the CPS engaged in another common practice of think-tanks, holding student seminars in the late 1970s.

Another influential organisation established not long after the CPS in 1975, also under the flag of economic liberalism, was the National Association for Freedom, later named the Freedom Association in 1979. It targeted mainly trade union power and was to become known for its legal support for workers resisting the union closed shop. Harris was a member of its national council.
The issue of trade unions had been addressed as early as 1959 by the IEA in its publication *Trade Unions in a Free Society* and again by Hayek in 1980s *Unemployment and the Unions*, both of which are listed with fuller details in the relevant appendix to this thesis.

In 1976 the Adam Smith Institute (ASI) was set up by Pirie and the Butler brothers, Eamonn and Stuart, all of whom had been heavily influenced by the IEA as students at St Andrews, as discussed earlier, and all of whom had worked in the U.S. for organisations associated with the campaign for more market-based approaches. As discussed in the previous chapter, the ASI, far more so than the IEA, engaged directly in formulating policy proposals.

One such important area in which the ASI made an impact was privatisation, a policy change of significance not only at the economic level. Although it had not been part of the 1979 election platform, the Thatcher government began privatising early on and accelerated its efforts after her re-election in 1983. In the view of the ASI’s Pirie, the transfer of (£41.5 billion in) assets from the state to individual ownership from 1979 to 1992 represented, in relative terms, the largest transfer of power and property since the dissolution of the monasteries under Henry VIII. One of the most notable, considered by many to be the most successful, was the sale of British Airways (BA) in 1987.

Until 1979, the U.K. had possessed one of the largest public enterprise sectors in Europe, most of which had been built up after Attlee’s Labour government came to power in 1945. According to Saunders and Harris, who point out that the programme of privatisation began

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slowly and cautiously, in 13 years of Conservative government the public sector was halved while the number of people owning shares was more than quadrupled. \(^{590}\)

British privatisation, which started in 1979 with the sale of a small percentage of British Petroleum, was a policy well suited to the Conservative Party’s stated desire to cut the budget deficit without raising taxes and its wish to curtail the power of unions. Commentators differ on the impetus behind the privatisation drive, for which there is no distinct policy document or specific piece of legislation. Some place the emphasis on the pragmatic considerations involved in filling government coffers to bring down the deficit; others on the need for efficiency and the fostering of competition, while still others point to ideological aspects such as the creation of an enterprise culture and the party’s desire to neutralise and settle scores with an old and powerful enemy, the trade unions. Advocates of privatisation and increased market participation in Britain anticipated an additional benefit — that the ideology of capitalism itself would be promoted. Pirie sees the benefits of privatisation as:

> Perhaps most important of all, the wide ownership extends the stake in capitalism itself as well as in privatisation as a policy. Wide ownership involves more people understanding the role of investments and profits, and less likely to be deluded by the false attacks on business. \(^{591}\)

Indeed, the project was generally framed by government as an initiative that would change Britain into a nation of shareholders, embracing themes such as people’s capitalism or popular capitalism, as discussed in Part One, and the appendix. \(^{592}\)

\(^{590}\) Peter Saunders and Colin Harris, *Privatization and Popular Capitalism* 7.

\(^{591}\) Pirie 72.

\(^{592}\) As footnoted in Part One, the 1980s privatisation programme falls outside of the time period of this study. However, some material on the campaign for privatisation and popular capitalism is included in Appendix X.
Privatisation is by no means the only policy direction the ASI promoted, as is evident in its publication *The Incredible Think-Tank Machine*, a compilation of media cuttings on ASI activities, but the case could be made that it is the most profound change brought about by market thinking in Britain during the Thatcher period, a change of the type long argued for by the movement, and a programme which was subsequently adopted elsewhere.

Another policy direction promoted is one where students would be given vouchers to pay for university education, which is now a scheme proposed in a confidential paper by government advisers. Under the voucher scheme being considered by the Conservative government, students would be given a voucher to “spend” at the university of their choice, thus cutting out the local authority. According to the *Independent on Sunday*, the Conservative Central Office higher education policy group is drawing up ideas for the party’s general election manifesto.593

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PART FOUR

The influence on the intellectual and social field of the movement's protracted campaign for a market-based social order
I should ... conclude rather differently. I should say that what we want is not no planning, or even less planning, indeed I should say we almost certainly want more. But the planning should take place in a community in which as many people as possible, both leaders and followers, wholly share your (Hayek's) own moral position. Moderate planning will be safe enough if those carrying it out are rightly orientated in their own minds and hearts to the moral issue. This is in fact already true of some of them. But the curse is that there is also an important section who could be said to want planning not in order to enjoy its fruits, but because morally they hold ideas exactly the opposite of yours, and wish to serve not God but the devil.

— John Maynard Keynes, writing to Friedrich Hayek on the ideas expressed in The Road to Serfdom (1944), which Keynes liked and to which he was sympathetic

It is at least doubtful whether at this stage a detailed blueprint of a desirable internal order of society would be of much use or whether anyone is competent to furnish it. The important thing now is that we shall come to agree on certain principles and free ourselves from some of the errors which have governed us in the recent past. However distasteful such an admission may be, we must recognize that we had before this war once again reached a stage where it is more important to clear away the obstacles with which human folly has encumbered our path and to release the creative energy of individuals than to devise further machinery for "guiding" and "directing" them — to create conditions favorable to progress rather than to "plan progress."

— Friedrich A. Hayek in the conclusion to The Road to Serfdom


595 Hayek, The Road to Serfdom 239.
CHAPTER 11

By Way of Conclusion: Intellectuals, Think-tanks and the Intellectual and Social Field

How, then, has this thesis supported the arguments made at the outset?

It has examined the process by which a movement campaigning against large-scale state intervention and for a more market-based order developed – not without reversals, contradictions and internal contestation – over a 50-year period, during which it contributed to the transformation and erosion of the Keynesian welfare state paradigm at the international political and policy level. This transformation occurred at the level of “common sense” and the language used to articulate it, as well as at the institutional level, and through the influencing of Hayek’s “secondhand dealers.” Thus, journalists and academics who were persuaded of the positions put by the movement would go on to shift attitudes within the wider sphere, be it through influential newspapers, magazines and journals or through public institutions such as public broadcasting.

While this transformation from the Keynesian state was uneven and incomplete, it was dramatic and far-reaching in terms of changes at the level of discourse, institutional arrangements and everyday relations, as well as at the level of organisation in a number of fields. By focusing on the role of intellectuals as agents of social transformation, the thesis traced the ways in which the movement and its actors were shaped through their various actions, often fiercely contested, as it traced the ways in which these actions reshaped the various contexts.
While the movement engaged in many different issues and actions depending on historical and geographical context, the wide-ranging privatisation of those state assets which had been nationalised at the height of the Keynesian vision is one dramatic example of a policy change that occurred across a number of geographical contexts. This was a policy campaigned for by the movement, which had significant institutional, organisational and discursive impact. Indeed, in Britain the campaign was sold in vivid terms as “popular capitalism” rather than mere privatisation, something which, together with the use of other dramatic marketing techniques, is seen by commentators of the process as contributing to its sales success (see Appendix 10). In addition, many public institutions which have not been privatised have been transformed in their operations through the adoption of more market-based approaches.

In the process of its formation and activity, the movement, through the use of a different set of notions, constructed a discourse, from the institutions of knowledge they had developed in and for the process, which in turn contributed to changed discourses in the larger sphere, influencing everyday relationships across the spectrum. One example of this change in discourse which translates everyday relationships can be found within certain areas in psychiatry, among other areas of health-care provision. Most health professionals now use the term “client” rather than “patient,” many pointing to it as a far more progressive term because it signifies a more interactive relationship than the model by which the medical practitioner is seen as the sole expert and the patient as the person acted upon. (Some practitioners find both terms inappropriate, opting instead for the most neutral term “persons”). The increasingly prevalent language of “freedom,” “choice,” “competitiveness,” “entrepreneurship,” “private
initiative” and “innovation” and the different practices of public institutions, while of course
not only attributable to the movement considered here, signal pervasive changes.

Consistent with the theoretical approach adopted, this investigation made contact with the
movement it was studying and learnt things about it. Among the first things this brought to
light were that the movement might have a far deeper history, leading to the choice of the
1931-1981 time frame for the project and illustrating how important methodology and method
are to argument. Indeed, this thesis was steered back to the 1930s in two ways; firstly, as
mentioned, through its focus on the actors in the act of making their movement, and secondly,
by acting on the Gramscian-inspired theoretical insight with which it began that social
transformations are usually slow processes and frequently the result of protracted, often
internally contested intellectual battles ahead of the dramatic moments of change. The
importance of the formative context of the 1930s and 1940s to any understanding of the
movement has thus been detailed in this thesis.

Through its theoretical arguments and substantive examination, this study suggests that in
general there is room for more thought on the role of ideas, the intellectual and intellectual
campaigns in social transformation. It has tried to show how, over the longer term, the agency
of active intellectuals, through a process of protracted action, can contribute to changing
social structures.

The social movements approach used in this study has most commonly been limited to the
study of movements viewed as being on the “left.” As noted, this study is uneasy with a
categorical left/right divide and the often unenlightening categorisations that can accompany
this mindset, but uses the terminology here to point to a further contribution of the thesis. The movement which was studied, while it generally resists the label “New Right,” preferring the term “radical” in reference to itself, would not be referred to as any sort of left grouping, by others or by itself. By using social movements theory, this study thus expands the applicability of the approach to a group outside of the left which clearly had some success in terms of its aims as a social movement.

However, in keeping with the cautions of the theorists used in this thesis and of the approach adopted, it points also to a refusal of any easy universalising of findings, whether on the role of intellectuals in this particular movement or otherwise. There is in the contemporary debate in social theory a modesty, a recognition of the limits of knowledge and of narratives, which is pervasive enough that even among those who do not seek affiliation with the post-structural or post-colonial position, many have a greater sense of what Gayatri Spivak refers to in another context when discussing the deconstructionist movement: “... a radical acceptance of vulnerability” where narratives are concerned, by which she means an awareness that reality is always narrated and that what is left out is important.

The material comprising the component of the thesis which may be referred to as substantive or empirical feeds into the arguments made based on the “findings,” to use the language seen as appropriate by many for presenting a thesis study. In this way, it is argued, the dualism of theory/empirical is eroded. The level at which the substantive or empirical work was done facilitated the theorising at a different level, the level of argument. And it is precisely at the

level of "empirical" or substantive research that the thesis acquires one of its important strengths, one which can be seen as enabling it to make the contribution to the field. In this study, the substantive and historical one-third of the thesis, mainly incorporated in Part Three, finds its full expression in the main argument made in the thesis. In other words, the very process of examining the various aspects of the movement through the methods identified has brought to light a view of the movement for limited government which is different to that which has dominated the field over the past decade.

Half a century ago, and well ahead of the current prominence and influence of these perspectives, Hayek was engaged by such matters as epistemological questioning, the strengths and weaknesses of various methodologies, the argument for a certain modesty when making claims for any knowledge construction and, ultimately, by his critique of positivism.

The Keynesian position generally epitomised the kind of positivistic faith which Hayek rejected and which some others had questioned since the 19th century, a faith which dominated the social sciences generally earlier in this century but which is now increasingly coming under fire. These challenges come from many quarters, from both the left and the right; some reject the positivistic, scientific paradigm completely, others do not necessarily abandon these positions but call for greater reflexivity or discretion with regard to what positivistic and scientific methods can claim to achieve in both the social and natural sciences. These voices are often at odds with those which fuelled the growth of the social sciences – where great emphasis was placed on the science of the endeavour – and the parallel emergence of an activist intelligentsia, demanding the powers previously held by the
aristocracy and the clergy on the basis of their superior intellectual ability and expert knowledge of society.

The view on uncertainty comes, too, from within the natural sciences where, for example, theories are emerging which consider, among other things, the limits of predictability or how in non-linear systems small inputs can lead to dramatically large consequences.597

This change in thinking is no longer the more limited perspective which it was when Hayek began to make some of his arguments concerning the expert, unintended consequences, a spontaneous order and the limits to easy predictability, among others. Hayek’s preoccupation, too, with the dangers to liberty of an ever-enlarging state in the opening decades of the twentieth century have extended into the wider society in the late twentieth century, perhaps becoming the tenor of the times.

From a different quarter, Touraine, noting that the notion of representative democracy is losing ground to the more modest conception of democracy defined by institutional rules, sees the change in concern from the 19th to the 20th century thus:

The nineteenth century was characterized by a great increase in power sharing. The late twentieth century is primarily preoccupied with the attempt to create limits to power, which so often tends to become absolute and to speak in the name of the society it devours.598

Touraine, in considering the arguments of liberals, which he sees as the refusal of any central principle of analysis and action on the grounds that such principles inevitably transform themselves into a central power which is more ideological than political or economic, thereby

598 Touraine, “Beyond Social Movements?” 131.
presenting an obstacle to the respect and development of freedoms, argues that we have entered a liberal age.

Even if we do not feel satisfied with this critical vision, how can we fail to see that we have entered—probably for a long time—what may be labelled a liberal climate? This, after having lived—for a very long time and in the great majority of the world’s countries—in a social-democratic or socialist climate; that is, with the idea that the intervention of a central power, based on the increasing political participation of the masses, would reinforce freedoms and help them penetrate the sphere of work. Today, all forms of state intervention are called into question, not only in the countries formerly labelled socialist—who strive to rid themselves of this appellation as a sick person seeks to rid himself of infectious disease—but also in the democratic countries, where the Welfare State—the principal political invention of the nineteenth-century West—is accused of impotence, and even of the maintenance and reinforcement of social inequalities.599

Foucault, using notions such as governmentality, voices concern. As mentioned earlier in the thesis, he was sympathetic to certain aspects of the modern liberal position. Indeed, in The Passion of Michel Foucault (1993), Miller says Foucault began his annual series of lectures at the College de France in January 1979 by taking up the theme of “governmentality,” asking students to think about the will not to be governed and to read with “special care” the collected works of Mises and Hayek. Foucault said liberalism had to be understood as a novel principle and method for rationalising the exercise of government, breaking with the rival modern principle of raison d’état, where the state constituted an end in itself, enjoying its own justification in terms of its success in increasing the scope and power of its rule, says Miller.600

These ideas Foucault expresses on systems of social security are not dissimilar from those of Hayek and others in the movement with which Hayek was associated. In an interview on the

599 Ibid 131-132.
social security system in France, Foucault offers the view that social security, whatever its positive effects, has also had "perverse effects," these being an increasing rigidity of certain mechanisms and a growth in dependence, a position which resonates with arguments from within the movement as well as the more recent ones made by Labour Party MP Frank Field, discussed earlier. He characterises the system of postwar social guarantees as being still bound up with an outlook formed between 1920 and 1940 mainly under the influence of "Beveridge, a man who was born over a hundred years ago."601 Noting that this system has come up against economic obstacles, which he says should be anticipated since socialised systems such as medicine foster a proliferation of illnesses beyond the state's ability to pay, Foucault argues that social security is double-sided — on the one hand it gives more security to people, while on the other it makes them increasingly dependent.602

This spillover of thinking is not surprising for those working within the social movements field — a point made by McAdam, who says:

The more general theoretical point is that successful framing efforts are almost certain to inspire other groups to reinterpret their situations in light of the available master frame and to mobilize based on the new understanding of themselves and the world around them.603

In the light of the examination undertaken, and on the basis of the findings which inform the positions taken in this thesis, the movement for limited government and a more market-based social order could be seen as a movement roughly congruent with many trends in late twentieth century intellectual life, fitting with critiques of dominant theories of knowledge

602 Ibid 160.
603 Doug McAdam, "Culture and Social Movements" 42.
being advanced in other quarters, but also, to be bold, as one of the various forerunners of a wider intellectual movement questioning what is considered to be an over-government of civil life and various forms of over-regulation, whether of academic disciplines or bodies of thought. As noted above, in a number of these critiques this questioning is combined with a questioning of the penetration into civil society of corporate capital along with the state. Thus, instead of being seen as a backlash to some of the movements and trends inspired by what is labelled the counter-culture of the 1960s, as has been the case in most of the accounts mentioned, a case can also be made that it be seen rather as developing with it, if not as being in an ancestral line to this wider intellectual change.

Certainly, it puts a new slant on the matter that Foucault, one of the most formidable contemporary critics of regulation and state control but one never automatically or, for that matter, even vaguely associated with the market movement, would tell his students at the College de France in 1979 to read the collected works of Mises and Hayek with special care. This picture and Foucault's rendition of liberalism would perhaps surprise some of Hayek's critics, who may have contributed to accounts such as the ones this study counters while seeing Foucault as being of a different order entirely.

Another change at the organisational and institutional level (which in turn acted upon the level of ideas and discourse) was the proliferation of the institutional form of the think tank which the movement developed out of the Hayek-inspired creation of the IEA for the dissemination of its ideas (see Table 4). This knowledge site, of which the thesis has traced the development, has proliferated, especially since the 1970s, contributing significantly to a changed intellectual
and academic milieu in addition to the changes discussed above, and is a site increasingly used
to research and persuade by groups not only within the movement, as the examples given in
earlier chapters illustrated. In what has been referred to as the knowledge society of the late
20th century by scholars such as Ericson and Stehr⁶⁰⁴ — what Melucci refers to as the
information society — these knowledge sites which developed out of the movement have in
certain ways added to the challenges faced by the university, as noted previously, with its
roots in medieval times and its 20th century move to increasing disciplinary specialisation, an
irony perhaps given the universities' long-standing monopoly on the commodity or productive
force of knowledge through the certification process. In the process of challenging the
postwar Keynesian consensus of large-scale state intervention, the activity of interdisciplinary
think-tanks has been one of the influences which redefined the intellectual field of operation of
the universities, increasingly pushing in the direction of interdisciplinary research, and changed
the relationship between the intellectual and the state, an issue increasingly occupying the
minds of academics, policy makers and the public, as discussed in previous chapters.

These think-tanks have facilitated the growth of an international intellectual grouping outside
of the largely state-sponsored system of tertiary education, often taking on controversial
issues such as that with which a number of institutes are currently engaged — the
decriminalisation of marijuana and other drugs. The approach these intellectuals adapted from
the Fabians before them intent on winning consent for a collectivist order looks set to play a
substantive and increasingly important role in developing intellectuals and activists, providing

⁶⁰⁴ For their discussion see The Culture and Power of Knowledge: Inquiries into Contemporary
Societies, eds. Nico Stehr and Richard V. Ericson (Berlin and New York: Walter de Gruyter,
fora and presenting policy options for public debates which, through the persuasion of politicians and senior bureaucrats, lead to policy changes.

The challenge to universities is coming from a variety of contemporary sources and takes numerous forms, with many voices echoing the sentiments expressed by Hammett earlier in the text, or the work of scholars such as Jacoby. Blundell, as discussed earlier, is an active intellectual within the think-tank formation who believes that once tenured and well established in their disciplines, scholars should be encouraged "to come out of the ivory tower and join in public discourse."605 This is a theme emanating from a number of social theorists and also from outside of the academy, federal New Democratic Member of Parliament Svend Robinson being one such recent critic in the local arena.606 It finds expression in popular cultural fora as well, and is getting increasing coverage in the media, as illustrated by the article written by Ottawa Citizen journalist Susan Riley referred to earlier.

Where research and policy institutes have been established outside of the movement examined here, such as those associated with a Keynesian position, they, too, have experienced changes in their discourse and policy approaches over past decades.

The most pervasive and multifaceted challenge to all that has been discussed above is perhaps the calling into question of the expert and accompanying loss of authority of the canon, a critique in which anti-authoritarians of the left and the right take part and which sometimes results in many being grouped against their will as post-structuralists or post-modernists. Scepticism about the abilities of the expert comes mainly from those who question science in

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605 Blundell 8.
all its guises, for example in the conflation of methods used in the natural sciences with those used in the social sciences. The sceptics include feminist groupings who conflate aspects of the methods and activities of science with those of patriarchy. Others see the de-expertising as a progressive move away from hierarchy. The deconstruction of meta- and macro-narratives in the intellectual field generally adds fuel to this critique, as does the interest in studies of popular culture and forms such as television, associated often with the field of cultural studies.

Hayek’s scepticism of experts, still evident in the last book of his 60-year œuvre, The Fatal Conceit, is in sharp contrast to what Skidelsky, quoted earlier, referred to in remarking that “Keynes’s anti-market, antidemocratic bias was driven by a belief in scientific expertise and personal disinterestedness which now seems alarmingly naive.” Hayek’s contention that the experts’ confidence in their predictions was a fatal conceit, and that their penchant for social planning and near addiction to blueprints and macro/meta solutions was what would take societies down the road to serfdom, would not seem today the outlandish proposition it may have been to those hearing it in the 1930s and 1940s, in the same way that the Keynesian argument for large-scale state intervention, also illustrated at the beginning of this section, has lost the currency it once had.
I owe a great deal for the realisation of this project to the constant generosity of my immediate family, John and Marc, my friends, colleagues, teachers (both formal and informal), university administrators, support staff and librarians, as well as my various informants. Support and encouragement from one's closer community is always appreciated, but it is especially gratifying to receive it from strangers. With the exception of those at the institute located in the same city as I, the people I approached in the course of this study responded with assistance and hospitality.

I include a postscript to give voice to things which the main text cannot always express but on which the success of a project can hinge. Talking about that which happened "backstage" – in other words, the elements constituting the research environment and therefore part of the text – has as its most important advantage the way in which it can help reveal aspects of the practices of the group being studied.

Important for me, too, is the opportunity to think aloud, so to speak, about my decision to examine a group towards whom a number in my particular academic community are antagonistic, a matter that became increasingly pertinent as I moved through the research process.

I found that the group I was studying would often be labelled in ways they resisted, its key intellectuals having gone unread; other intellectuals in the movement would infrequently have been sought out to investigate how they saw their ideas or to consider their practices.
Indeed, my study could well have followed that route, since some of my preliminary reading might have disposed me thus. Seen this way, the research approach I selected contributed in large degree to the capture of empirical material to round out my picture of the group, thereby presenting it differently from the manner in which it had been portrayed in many of the primarily “structural” or primarily material accounts. It was through doing work on social movements theory with my committee chair, Brian Elliott, that I came to consider the Eyerman and Jamison framework, which I believe I have been able to use productively in an alternative area of investigation.

Some, on learning of my project, indicated they considered it tantamount to supping with the devil to confer with elements of the “New Right” and inappropriate to consider their campaign for a more market-based social order as perhaps appropriate to the social movements paradigm with its utopian underpinning. Yet my analysis did not uncover a movement which was “merely the petit bourgeois front for the latest capitalist onslaught,” as John Clarke characterises what he sees as reductionist analyses of the New Right, speaking from a position on the “left.”607 Rather, it adopts an attitude much more in the spirit of Robert Skidelsky who, describing the process aimed at getting inside the subject so as better to explain it, as in the case of a biographer, says this role should be conceived of not as “that of prosecutor.”608 In many ways, this attitude echoes that of Hall, who was quoted earlier in the text warning against analyses which are either “ritualistic” or “celebratory,” approaches which he points out are better suited to religion’s need to console the faithful.

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and anathematise the heretics. It seems to me that if one insists that a movement calling for a more market-based social order is inspired merely by the interests of factions of capital, one is forced into explaining the success of the “New Right” campaign on the assumption that those so quickly heeding the movement’s call are mere cultural dupes.

As I came to understand the shape my project would take, I began to believe this avenue of inquiry, through a study of a specific instance, could contribute generally to thought about the role of the intellectual as social actor and agent of social change. I was interested in the protracted intellectual campaign which had been engaged in by those I was studying who contested the near-consensus on the need for large-scale state intervention, and not in deciding between a categorical castigation or an uncritical celebration of the movement. I could see no usefulness in either extreme position and besides, I believe there is already an oversupply of both. I found that as I proceeded it became increasingly apparent just how inappropriate either of these positions would be to my particular project.

In my contact with people in the movement arguing for more market-based approaches, I saw little evidence that they might be arguing from narrow class or self-interest alone. While power and interest are, of course, never absent from social interactions, be it in the university or the research and policy institute, they operate in complex ways, and thus it seemed that a more useful way at least to start thinking about movements might be contained in this view from Albert Camus in 1947:

> From Left to Right, everyone, with the exception of a few swindlers, believes his truth is the one to make men happy.

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Taking such a position can help restrain impulses to create as the "other" those groups or practices which may be unfamiliar or unconventional and to resist as far as possible such distinctions as them/us; high culture/low culture; false ideology and that which is deemed to be valid cognition.

Moreover, as my research progressed I became increasingly aware that the movement was far from monolithic, a negotiated alliance in which there was suppression of differences in a protracted struggle, and thus that it had not appeared out of nowhere in the 1970s to do the bidding of a faction or factions of capital or been inspired by class resentment. I concluded, with Maurice Cowling,\(^6\) that the political, religious and philosophical beliefs held by early movement activists were diverse, often contradictory and frequently in a tension with one another, and I could not concur with Andrew Belsey's refusal to see much difference between the elements making up the "New Right," as discussed in the main text.

Like others who have questioned the language of "left" and "right," I came to learn that the more one inspects the conception and image of the "right" (or, for that matter, the "left") the less sure one becomes of what it is.\(^6\) This lesson, one perhaps ever more pertinent to the study of complex phenomena through different periods, seems particularly applicable in the latter half of the 20th century with its complex, knowledge-based media society, a society experiencing a continual questioning of established authorities and canons, knowledge

\(^6\) See Maurice Cowling's description of the extreme diversity in both predisposition and background of the grouping who conducted the campaign for less government in Mill and Liberalism (Cambridge: Cambridge University Press, 1990) xxxvi-xxxvii.

\(^6\) An example of such discussion can be found in Roger Eatwell, ed., The Nature of the Right: European and American Politics and Political Thought since 1789 (London: Pinter Publishers Limited, 1989).
categories and epistemologies. (Indeed, if the original sense of the word deriving from the French Revolution were to be used, those campaigning for a reformulated classical liberalism should not be characterised as the "right"). A more fruitful distinction might be between orthodox and more pluralistic positions and practices. Whereas it is beyond the scope of a project such as this to properly examine such a contention, much evidence suggests, and ever more strongly so, that the simple left/right divide is a dualism lacking in significant analytical force in many areas.

Because of the approach I was taking, I was forced on occasion into a position of having to affirm my progressive attitudes and politics. I felt forced to point out, for instance, my long-held anti-authoritarian and anti-elitist views which had led me to take risks during the time I lived in a police state, both by resisting a totalitarian regime at the everyday level and, where I could, by helping others doing likewise. I was not going to be positioned as a mere idealist, or as lapsed and to the right for not having worked within the economistic structural orthodoxy – a frequent fate of some of those who have argued against the base-superstructure model on the grounds that culture is both real and material, and of post-structuralists, most of whom are nevertheless putting forward radical positions concerned with power abuse and exploitation.

Since I embarked on my PhD programme, a time during which Hayek died in March 1992, he has gained in influence and a number of writers on the left are reading him seriously, if only to take issue. These readings are different to many of the readings of the past.612 In the

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light of this change I am no longer having to justify myself as often; indeed, an increasing number have been interested, encouraging and sympathetic to the approach, as have a number of the faculty with whom I have discussed my project.

Even if one's audience allows a distinction between neo-conservative and neo-liberal or libertarian, the question arises of who qualifies as a liberal, and whether or not liberals and pluralists should be heeded at all, some argue, given their reluctance to place the notion of class at the centre of their analysis. In North America there is additional confusion because the word liberal is often used to mean quite the opposite of the classical liberal, to indicate a tendency to favour government's power of intervention and action. Some on the left, too, use the term conservative to designate anyone of a liberal, pluralist, democratic or conservative position, or any combination of these, while many neo-liberals use the term in the sense of its more classic dictionary definition, referring to those favouring established customs and opposed to most ideas challenging the conventions of the day. By this definition, neo-liberals see those adhering to the orthodoxy around large-scale state social planning as being the conservatives, and thus often refer to socialists or Keynesians in these terms, as illustrated in The Times Higher Education Supplement article, “Radical Right versus conservative Left.”

Before I entered the PhD programme in 1990, my interest in the movement campaigning against centralised, large-scale state intervention and for a market-based social order was piqued by similarities I noticed between its thinking on certain aspects and Antonio

Gramsci’s insights on the winning of consent for sets of ideas and practices, in other words, by the strategies for the winning of consent, and I soon realised that if I were to learn anything significant it would be crucial to examine the process of persuasion close up. If I were going to conceive of the emergence of any changed social order as involving a protracted campaign by intellectuals engaged in an advance crusade, my research would have to attend to the intellectuals involved in this movement, and by extension, their organisational culture, constructions and shared practices, rather than attempting merely to interpret the deeper meaning of their ideology.

Indeed, the neo-liberals I approached, whether for interviews or mere information, gave me, a stranger, due process. I was not, so to speak, generally prejudged by the intellectuals and activists associated with the movement campaigning for a market-based social order, or regarded with suspicion, with the notable exception of the research and policy institute located in the same city as I. It is evident from the interviews that this project would not have been possible without the help I received and the time and hospitality I was given so freely by those both within and outside of research and policy institutes. This was despite the fact all were busy and a number of them, as Nobel Prize winners, are always having demands made on them for their time.

All but the Fraser Institute in Vancouver\textsuperscript{614} did more than could be expected to accommodate me, both literally and figuratively, answering question after question, sifting through

\textsuperscript{614} The very different treatment I received from the Fraser Institute came early on in the research process and ended up providing an invaluable lesson. It was for me a dramatic illustration of the great differences one finds within the movement on matters such as openness to people, ideas and debate – an example, perhaps, of the different approaches of the wider movement’s different groupings and also of the difference which a particular institute’s geographical location and
documents, reproducing material and often putting me up for the night or picking me up from a train station or hotel. This intellectual hospitality was invaluable to the research process and was especially important given that my task was not a part of a larger, funded project being done by a professor, as can be the case in the social and natural sciences. My invaluable Social Sciences and Humanities Research Council fellowship and University of British Columbia fellowship money had to stretch considerably to cover all my costs, but these were brought down significantly by this hospitality and that of my various friends and former Reuters and other journalistic colleagues with whom I stayed on my trips to the U.K. and U.S., and whom I thank in detail in the acknowledgements.

Indeed, the importance of assistance from those about whom the researcher writes is increasingly becoming recognised. Sandra Kirby and Kate McKenna, in their work *Experience, Research, Social Change: Methods from the Margins* (1989) refer to feminist researchers’ suggestions that research participants need to become full collaborators in the process.615 There may be those who might agree this approach can apply to movements such as women’s movements, but argue that it is not meant to be used in an even-handed way with all groups, such as the “New Right.” In this particular project the view associated with an advocacy position that research participants should become full collaborators was not

leadership can make to its internal culture. For this reason, and ironically, the treatment I received gave me a more valuable insight than might have been the case had the Fraser Institute treated me in the open and hospitable way the others did. The Fraser Institute is not part of the “Fisher family” of institutes in the same way as the others that form the focus of this study by virtue of the fact that they were actually set up by Fisher. Therefore, the Fraser Institute is not of the same significance as the others for this study. Although IEA founder Fisher did help the Fraser Institute in its early years, it was started without his involvement or that of the IEA.

followed; nevertheless, the contribution that flowed from the access I was given is recognised.

Since my project also attempts to consider to what extent the movement practises what it preaches, it is important to note that this hospitality even to strangers and openness to ideas is appropriate to the argument they make that the market, and thus the marketplace of ideas, is a relatively open institution, both to information and by virtue of having to convey information. Likewise, it is appropriate to the movement’s belief in the power of ideas and the implied responsibility this brings with it to communicate with all-comers. Of course, those reluctant to give up the self-interest argument could say it was in the interests of these people to feed me their line, but this seems improbable. A graduate student is not of sufficient importance to their image.

This should not be taken to mean, however, that I have accepted all the perspectives I have heard from the movement intellectuals, or not thought about why I have been given what I have. Along with Pierre Bourdieu, one needs in any research situation to remind oneself:

> When someone says to you, at the end of an interview, ‘Ah! I have a very interesting document for you’, you should be on your guard. In general, important documents are very hard to get hold of. In contrast to that, data are things which are given to you.\(^{616}\)

The nature of the project meant I bothered some far more than others. I would like, therefore, to thank these people here individually, as the limited University of British Columbia acknowledgement format does not allow for thanks to a larger group of people.

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The importance of the IEA to this study required asking more of Ralph Harris, Arthur Seldon and John Blundell, and all three not only made themselves available but helped me obtain, wherever they could, any other information I needed. I am particularly grateful to Ralph Harris, who “accessed” his “Casio” whenever required. Arthur Seldon “accessed” his memory, enabling me to sketch out a project with a historical sweep so as to capture the extended nature of the intellectual campaign. Both Seldon and Harris have continued a correspondence which has been most useful to the research process. John Blundell, long involved with the academic mentoring process, was always mindful of what might prove useful to academic research, alerting me to books in the area, making photocopies available and setting up meetings with other people in the movement. The assistance of IEA head librarian and office manager Ken Smith was most constructive, as was that of his colleagues. Indeed, the entire IEA staff co-operated where they could, freely giving me relevant IEA and associated publications when asked.

Linda Whetstone, daughter of IEA founder Antony Fisher, not only gave freely of her time whenever asked but also, along with her husband Francis, spent a long night with me at their home unearthing documents of her father’s.

Friedrich Hayek’s son Laurence and daughter-in-law Esca Hayek did likewise during my stay with them. Again, I was offered hospitality at their home in Devon before they had even met me, during which time they fed me, gave me accommodation and showed me places of interest in the surrounding area. Laurence Hayek then extended himself further after my departure by posting material I had requested. I am most appreciative to them for the time
they spent with me, which enabled me to get some grasp of the thought and working habits of Hayek.

I am most grateful for the time Financial Times economics editor Samuel Brittan gave to me on numerous occasions, and which contributed greatly to my thinking on the topic, as I am to his colleague and my friend, J.D.F. Jones, for making the initial introduction.

Eamonn Butler of the Adam Smith Institute gave generously on the three occasions I asked for interviews, both in terms of his time and his institute’s publications.

James Cornford, Danny Finkelstein and Martin Jacques, while not part of the same grouping of research and policy institutes, all being associated with think-tanks established after the period I studied, are nevertheless intellectuals located within think-tanks, in part inspired by the way in which institutes have facilitated the winning of consent by neo-liberals for market-based approaches. They, too, gave their time and encouragement.

Mont Pèlerin Society president Max Hartwell made available the manuscript he was writing on the society as well as giving of his time.

Academics such as Peter Saunders gave both intellectual support and encouragement by virtue of their interest in the study.

The intellectuals and activists in research and policy institutes on the other side of the Atlantic were as hospitable. Carl Helstrom of the Atlas Foundation was always immediately receptive to any demand I made of him, inviting me to attend conferences where appropriate and offering me transport where needed, and a great contribution was made to this study by
the help I received from those at Atlas and the Institute of Humane Studies: Alejandro Chafuen, Leonard Liggio, William Beach and the staffs of both organisations.

I am especially grateful to Ronald Coase who, despite a recent period of illness, met with me when I was in Chicago. In addition, he later sent me material and has kept in contact.

New York-based Bill Hammett gave me much more time and consideration than I could have expected, especially from a busy New Yorker, and in addition put me on the Manhattan Institute mailing list. Bettina Bien Greaves picked me up at a train station, a stranger with whom she shared her lunch, and she later extended her hospitality to an offer of accommodation, giving me publications and insights as well as continuing a valuable correspondence.

Alex Philipson at University of Chicago Press, Hayek’s North American publisher, was both interested in my project and most helpful with information when I approached him, responding to my deadline pressures by sending information available only in a publication not yet in bookstores, or enabling me to buy titles in advance of their general issue. Alison Kirk of Routledge, Hayek’s U.K. publisher, also kindly sent me information on sales figures for Hayek’s work.

Those who attended the conferences which I observed for this project were as open and hospitable, answering questions and giving interviews. These interactions were numerous, and many of these people I also interviewed elsewhere and have thus mentioned above. In addition, I mention Alan Walters and James Buchanan because of the time they kindly gave me, especially in light of the demands that were being made on their time at the Mont Pèlerin
Society meeting, given their status both in economics and in the community of research and policy institutes. Milton Friedman, while very busy at the Mont Pèlerin, nevertheless managed to find time for a few questions when I approached him.

A former economics professor of mine at the undergraduate level and head of the Department of Economics at the University of Cape Town, Brian Kantor, who also attended the Mont Pèlerin meeting in 1992, engaged with me whenever I asked and introduced me to those in his company whenever I approached him. He exhibited the same willingness I recall from my most unsophisticated years as an undergraduate student majoring in economics from 1975 to 1977, and despite our significant disagreements of the time on issues such as the notion of power.

Another of my undergraduate teachers, David Welsh, head of the Department of Political Studies at the University of Cape Town, contributed to the attitude I brought to this project. In my three years as a student there, he showed by argument and fair-minded practice the merits of the liberal position, illustrating that liberals could be among the best of people. Melvin Goldberg, a fellow undergraduate doing economics and political studies with me then and intellectual buddy of mine in those years, was helpful in reminding me, too, that there were certainly cases where, despite appearances, they weren’t. My teachers of constitutional law, Barry Dean and Peter Leon, ever open and insightful, contributed likewise to this project, albeit indirectly, in their instruction informed by the need for openness and an appreciation of those who argue for the importance of the rule of law, as did later colleagues of mine who discussed with me their experiences living and working as foreign
correspondents in countries where the rule of law was disregarded. I look back on my undergraduate years at the University of Cape Town with appreciation, not least for what I learnt from my fellow students and South African friends, as I do on the years as a journalist which gave me many skills invaluable to this project.

The very environment in which I was first to develop intellectual ideas was conducive to contemplating some of the themes of this project. While not South African-born, I spent a significant time in that country as I entered womanhood, first as a student and then as a journalist, labelled as “white” by a regime which placed every citizen into one of several race classifications. It was an unsettled period in which much was being challenged and called into question, with unlikely groupings forming alliances and uniting behind institutions and slogans. The rule of law and liberal discourse were evoked both by liberals and those who would traditionally counter the position. The state was far from benevolent, detaining hundreds and thousands of those who dared to challenge it in word, let alone deed. It was a time, of course, when great personal risks were demanded of ordinary people who wanted to be able to face themselves, let alone their fellow citizens. Moral choices demanding significant amounts of bravery and sacrifice were around most corners. South Africa set itself up as a Christian welfare state, policed its borders, and was highly regulated, not only in regard to the economy but also cultural and sexual practice, with strict foreign exchange control and opposition to competition, innovation and free trade on the one hand, and legislation stipulating with whom one could sleep or have as neighbours, on the other. Nationalistic in orientation, the political leaders valorised the notion of community, speaking in the name of the people, or “volk,” when making pronouncements or policy, but
referring to a very narrow section of the population. What welfare there was, was reserved for that minority, as were the “Christian acts.” Just as radicals evoked liberal discourse and the language of rights in their struggle, the state set up departments named for exactly what it seemed not to allow, such as community development, or the competition board. Cynical inhabitants would point to the department of justice as well. It was a space in which to learn that groupings could use a variety of means for different ends, or use words to mean different things, with significations always unsettled and open to challenge. South Africa was also a space in which one could reflect that the “market” might be preferable to that which pertained – in the face of the totalitarian interventionist policies pursued by a government which represented a very small minority of the “white” population. This time was surely one of contestation.

All this had additional dramatic resonance as I was putting finishing touches to the first draft of my thesis in April 1994, the month and year in which South Africa was conducting its first election not limited to a fraction of the country’s population – an event in great part the result of a protracted negotiation process between a formerly jailed leader of an opposition party representing the “black” majority which had been outlawed until recently and its members and leaders banned and detained without trial, and the head of the “white” government and leader of the party responsible for these earlier horrors. Indeed a remarkable alliance, and one which has resulted in these two men now governing post-apartheid South Africa together.
My postscript, by highlighting the help I received from a myriad sources, also counters the notion of the individual working away in isolation to fashion a product with no markings to reveal the social and collaborative nature which all knowledge products have to some degree. Indeed, this collaborative process, among others, in which we are located within social discourses has been seen by figures such as Roland Barthes and Michel Foucault as part of the reason for proclaiming the death of the author. The social aspect of the process of writing and communication assumes a special importance in a project such as this, where the social nature of knowledge construction is under examination through a social movements approach which has at its core, I would argue, a refusal of both the individualised, great-person-of-history thesis and the notion that knowledge is merely out there to be apprehended unproblematically.

Similarly, my postscript, by revealing aspects of the research process, could help those involved with similar projects to think through their particular tasks. At the same time it could show how dependent the process is on the co-operation of others, and enable readers to judge the integrity of the author, the data and the interpretation of the data.

A postscript, while more personal than that to which I am more normally predisposed, also offers the opportunity to lay bare the “I” more comfortably, to talk in a manner which, subjectively and perhaps idiosyncratically, I feel would be inappropriate in the main body of the text. Perhaps part of the explanation for this is that, before returning to the academy to do postgraduate work, I was a journalist, a period during which I worked for organisations which, by and large, frowned upon the general use of the first person. I am, of course, aware

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617 See appendix on the details of the research process.
of the debate around this issue. I recognise the demand in certain contexts and disciplines
that authors reveal themselves where appropriate, and the ideological purposes it may serve
to do otherwise. However, while I would not be comfortable using the first person in the main
body of this work, I agree with this increasingly common practice, where often the location
of the author is included. In this regard, Edward Said argues:

       ... all interpretations are what might be called *situational*;
       they always occur in a situation whose bearing on the
       interpretation is *affiliative*.

This postscript thus attempts to resolve the tension between the need to disclose the
individual relation to the text and my preference for a less personal style in the main text.

My teachers at the PhD level must be mentioned for their important contribution. Near the
beginning of my PhD programme, I requested a directed reading on liberal ideas with
Patricia Marchak, who is also one of my supervisory committee members. The main focus of
the course was on Hayek’s *The Constitution of Liberty* (1960). She kindly agreed despite her
busy schedule as Dean of the Faculty of Arts.

I thank the other supervisors on my committee for their invaluable contribution to this
project. Brian Elliott in sociology, as chair of my committee, gave much time in feisty
discussion, in careful reading and thoughtful and fastidious editing, learning with me as well
as teaching me, allowing an atmosphere of debate, most often of some vigour when there was
disagreement. If Keynes is right, as quoted at the start of Part Three in this study, and we as
scholars should be “troublesome” and “unorthodox” to those that teach us, then to
supervise someone who takes issue with some of one’s analysis should be seen as the greatest

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success one can have as a teacher. I thank him for this, as well as for the general support he gave me, which went far beyond what is expected and for which I am most grateful. Philip Resnick in political science was always open, willing to engage, supportive of my project from the start, and there for me while I considered the work of Gramsci, always with encouragement and most useful comment. My committee chair for the first part of my programme, Martin Silverman in Anthropology, did more than could be expected at a difficult time for him. He found time to help me jump the bureaucratic hurdles that can accompany an interdisciplinary programme in the early stages. Life in the interdisciplinary lane was made much easier for those of us in this category—or rather, more fittingly, not in a category—with the appointment of Dean of Graduate Studies John Grace. As Graduate Studies is the department into which the interdisciplinary student “falls,” I am especially grateful for the benefits that have flowed from John Grace’s energetic commitment to interdisciplinarity. He and Associate Dean Laurie Ricou, directly responsible for interdisciplinary students and who shares John Grace’s commitment, were always open and supportive, both as administrators and intellectuals. I am especially grateful to them.

Invaluable, too, were my committee members for my earlier masters thesis—my supervisor, William Leiss, who has always encouraged my work by writing references whenever called upon and through support of my scholarship, and the other members of my committee, Liora Salter, Sut Jhally, who also responded generously when asked to write references, and Rick Gruneau, whom I thank too. As a teacher and friend, Sut was an important influence in my Gramscian thinking and helped me build up a knowledge of Hall’s work and cultural studies.
My other teachers, both informal and those within the academy who were sympathetic to my project and to consort ing with me generally, friends, other fellow students and everyone else to whom I am heavily indebted for help in this regard, I have thanked within the prescribed acknowledgement format, but I do so here again.
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APPENDIX I

The Research Procedure

Interviewing, Observing and Conducting Documentary Research

a) The Process, People and Places

Shortly after I began this research project, and well before I had fully decided on the approach I would follow, I conducted preliminary interviews in the early summer of 1991 with some of the active intellectuals and those associated with the intellectual campaign. I had by this time completed a year of courses at the start of the PhD programme, during which I attended a student seminar on economic issues set up by the Fraser Institute on Nov. 9, 1991 as well as visiting its offices and library in the same year, something I had done before when, shortly after arriving in Canada in 1988 I went to see a former economics professor of mine who was visiting the Fraser Institute in the spring of 1988. These contacts facilitated the process of early research design by identifying the people and material to which I might have access, thereby, to some extent, enabling me to select an area of interest within which to work. On returning for my second academic year, I tested ideas in seminars, sessions with committee members and elsewhere.

In March 1992 I travelled to San Francisco for a conference at Berkeley and took the opportunity to visit the Pacific Research Institute for Public Policy, the research and policy institute set up by Antony Fisher, meeting with its then recently appointed head, Sally Pipes. In the late spring I travelled to the Washington, D.C./Virginia area to meet with movement intellectuals such as John Blundell, who at the time I met with him on April 9 and 10 was head of the Atlas Economic Research Foundation, and to spend time at the Atlas offices and in the library of the Institute of Humane studies, a process facilitated by Atlas’s Carl Helstrom. From there I continued to the
U.K. for May and June, meeting with a number of the key intellectuals in British think-tanks and others informed about the activities of the neo-liberal movement.

In June I returned to North America and attended a conference on social movements at the University of California, San Diego, at which were assembled a number of well-known theorists in the field, such as Alberto Melucci.

The Mont Pèlerin Society’s meeting, an annual event, was held in Vancouver in August and September 1992. While its sessions are closed to non-members or specially invited guests, it afforded me the opportunity to meet with and interview intellectuals I had already met and others I hadn’t and observe their shared practices and organisational culture. In addition to the active intellectuals associated directly with the movement and working in research and policy institutes, I interviewed former Thatcher advisor Alan Walters, public choice theorist and Nobel Prize winner James Buchanan and fellow Nobel Prize winner Milton Friedman.

In December 1992 I travelled to Palo Alto to examine Hayek’s papers and the documents of the Mont Pèlerin Society, both collections being located at the Hoover Institution Archive.

I conducted a further research trip to the U.K. in March and April of 1993 to interview active intellectuals within the movement such as Ralph Harris, Arthur Seldon, John Blundell, and Eamonn Butler, interviewing them on a number of times at different locations, ranging from the formal to the informal. I also interviewed intellectuals outside of the movement but located in research and policy institutes set up in the past decade which are to the Left of institutes such as the IEA. Among other key intellectuals interviewed were Samuel Brittan and key Mont Pèlerin
members such as current head Max Hartwell, who lives in Oxford.

I conducted documentary research at the LSE and IEA and attended a seminar at the IEA.

In addition, I visited Hayek’s son and daughter-in-law in Devon, spending two days with them. I also visited Fisher’s daughter, Linda Whetstone, and her husband, Francis, in Kent and interviewed Peter Saunders at Sussex University.

On my return to North America, I travelled to the Washington, D.C. area to attend the 20th international workshop of the Atlas Economic Research Foundation from May 13-15, 1993, which brought together representatives of a number of the affiliated research and policy institutes. There I once more met active intellectuals such as John Blundell and others not previously known to me. At this three-day meeting the shared practices and organisational culture of the movement were once again observed.

Also in Washington, I met and interviewed Bill Hammett, head of the New York City-based Manhattan Institute, another Hayek-inspired institute set up by Fisher, which had just opened a new office in the capital.

I travelled to Chicago and met with Nobel Prize winner Ronald Coase, who was at the LSE with Hayek in the 1930s, as well as a major theorist in the field.

I then undertook a further research trip to Palo Alto in May and June to examine again the papers of Hayek and the Mont Pèlerin.

In September 1993, I travelled to New York for research at the Rockefeller Foundation archive
centre, also visiting the Foundation for Economic Education. This was set up in 1946, and was visited by Fisher before he established the IEA in 1955.

In 1994, the 50th anniversary of the publication of *The Road to Serfdom*, I interviewed by telephone and obtained faxed information from both Hayek’s U.K. and U.S. publishers on the sales figures for this work.

As interest in Hayek and his work had increased significantly in the last year of the project, I was mindful to keep a close watch on the appearance of new collections of work by him or on him.

The 30-odd tapes – some of 60 and some 90 minutes – were all transcribed during the fall term of 1993 and early spring term of 1994, making up some 500 pages of transcription. Some recordings were of a better quality than others, partly due to the fact that two different makes of tape recorder with different attributes had been used, and due partly, and more importantly, also to the fact that the interviews were conducted in very different circumstances and surroundings. Some of the recordings had a lot of background noise which could drown out interview material, and there were also interruptions caused by interventions such as a conversation between the person being interviewed and other conference participants. Also, some of those interviewed no longer have strong voices and consequently some of what they said was missed in the recordings.

The documentary material obtained from the Hoover Institution, the LSE, research and policy institutes or other sources such as personal papers or documents held by relatives, would be noted at the time of collection and in some cases, such as at the Hoover Institution, be attached to the proper identification slip. Later these documents would be looked at again as a universe and sorted into the time periods coinciding with the phases used in the study. Obviously, there would
be some overlap, which would make it necessary to constantly re-examine documents in light of
new material acquired.

Insights gained from observation were detailed in a far more informal way, some of them noted in
written form and some, where the impression was strong enough, filed to memory and retrieved in
the writing process.

The writing process started in earnest in the term break in December of 1993, although some
mental writing and, of course, proposals had taken shape prior to this. It came to an end in April
1994, with most of the month of March taken off to engage in a series of lectures relative to the
topic given by international scholars on a visit to Vancouver. Chantal Mouffe, one such scholar, I
had a number of thought-provoking private conversations, given the coincidence of interests,
which were most useful given her acquaintanceship with the field.

b) Themes to the questions asked of people interviewed, which were adapted and reconfigured
to be appropriate to each interview in reference to the location of the particular person.

i) Theme one: Early Collective Consciousness and Individualist/Entrepreneurial
   Subjectivity.

Who were the people at the LSE in the 1930s who disagreed with the growing consensus that
substantial government intervention in the economy was necessary? Were they LSE students, or
students and faculty? Did they meet as a group; what activities did they engage in as a group; how
did they/you come to recognise themselves/yourselves as a group with an historic project, and
what support was there for this group within LSE faculty, among others? What was Hayek’s
response to the grouping? Where did these people go on leaving the LSE? Did any of them attend
the first MPS meeting? If so, who, and if not, when, if at all, did they become members? What
was the significant event or chain of events that convinced you of the merits of market thinking, and when did it take place? Do you know whether the thinking of the rest of the group was inspired by similar experiences or events? What was the context in which this took place; in other words, how was it conditioned by the time, place and activity?

ii) Theme two: Early Period or Gestation

The MPS is seen as extremely important to the movement committed to a revival of classical liberalism. Why exactly do you think this is so? How did it contribute to the creation of, and development of, a collective consciousness and the construction of an entrepreneurial subjectivity, and how did members come to recognise themselves as collective actors with an historic project? In what way did they see the project as being Utopian? How did it mobilise resources, what kind of resources were most important for its success, and did this change over time? What was its most important activity – for example, was it the development of a new kind of classical liberalism for the 20th century; was it the sense of solidarity it gave to the previously scattered neo-liberal scholars, or was it the talent bank it developed from which the research and policy institutes could draw? Is it useful to rank the importance of these different activities; is it even possible to do so? Did the function of the MPS change over time, especially as the ideas of classical liberalism gained greater acceptance? How should one view the relationship between the publication of *The Road to Serfdom* in 1944 and the formation of the MPS in 1947? Why do you think it was not possible to launch a liberal society in 1938, as it was Hayek’s intention to do? In retrospect, do you think the MPS could have been organised more effectively for the dissemination of market ideas, and the construction of a collective, albeit individualist, consciousness?
iii) Theme Three: “Living” of Ideas through Actions, Shared Practices and Strategies

Looking at the activities of your fellow neo-liberal intellectuals, how do they “live” their ideas, and how do market-based beliefs inform their practices? In terms of this, how do research and policy institutes such as the IEA operate in terms of these beliefs, and how do they facilitate market-based practices and disseminate market thinking? Was Antony Fisher entrepreneurial, and if so, how did his entrepreneurial subjectivity influence the IEA? How did Hayek’s beliefs in the power of ideas and the importance of intellectuals affect the position and thinking of the IEA? Were the strategies those laid out by Hayek, or were there others? Do you think the IEA model has been replicated in the U.S. in the other three Fisher/Hayek-inspired institutes?

iv) Theme Four: Active Intellectuals

How do you conceive of the notion of intellectual? Is it a comprehensive one? Are there different kinds, performing different activities, and how, if at all, did these change over time along with context and the winning of greater acceptance for the ideas? What were their strategies and methods, and how did they change over time, if at all? What institutions of knowledge were used? How were these institutions changed through this process? How did the intellectuals change over time in the light of the generational and geographical separation of the various movement intellectuals? Are the notions entrepreneurial intellectual or of working in a factory for ideas useful for the understanding of neo-liberal intellectuals in institutes? Has the movement evolved a strategy for sustaining itself, for example through the recruitment of new members? How are new intellectuals recruited into the movement and, later, given positions of influence? How is the charisma of figures such as Hayek, Fisher, Harris, Seldon, Blundell built into routines, and reproduced? How does this process compare to that associated with the Fabians; and what were
the strengths and weaknesses of both? Did the Fabians popularise a knowledge institution in the
way the neo-liberals popularised the think-tank?

v) Theme Five: Institutions

How important were the LSE and the British institutional milieu to the success of the winning of
consent for a market-based approach? How did research and policy institutes fit into that milieu;
more specifically, the IEA? How did the institutional arrangement regarding British charity status
affect the way in which the IEA operated? Is it different from other countries, and how does this
affect their organisations, operations and practices? How has the new organisational form of the
research and policy institute affected intellectual and academic life? Were new spaces for the
creation of knowledge established? Are institutes successful institutions for the dissemination of
ideas, and which are the groups committed to their maintenance and which to their demise? What
role do you believe the neo-liberals played in inspiring the left-of-centre institutes that have
proliferated in the past few years? How different are they in terms of strategy? How important is
it for the IEA, and these others, to maintain a position of independence?

vi) Theme Six: Development of Ideas

How was the new version of classical liberalism different? Where was it developed; how
important was the MPS to this process, the IEA, other organisations? How important was the
IEA’s work, especially its microeconomic studies? Can one see this shift in emphasis from
macroeconomic studies to microeconomic studies as similar to a technological shift, in the sense
of a change in procedure?
vii) Theme Seven: Cultural Values and their Transformation

Mention is made that Hayek liked the moral values of the British. What were those? Have they changed in the 1931-1981 period? If so, how? And what is responsible for these changes? Can one talk of an entrepreneurial culture? What does this conception designate?

viii) Theme Eight: The Important “Secondhand Dealers” Won Over to a Market-based Order

Who were the first “secondhand dealers” won over to the thinking associated with a market-based social order? Where were they located? How was this done? When? How easy was it to win them over, and how was their constancy to a market approach maintained?


Who was the IEA’s target market? Did this change as market-based thinking gained greater acceptance and the context changed? Did the IEA target certain of its publications at slightly different audiences? What function did the lunches perform, who was invited to them, and did this change over time?

x) Theme Ten: The Appropriateness of New Right Designation or Analysis

Do you feel that the New Right is a useful designation, given the wide spectrum – from neo-conservative to libertarian – which it covers? Movements are seldom monolithic; what are the differences between strands, both in terms of beliefs and in terms of the disagreements, if any? For example, it appears that there may be significant differences between Austrians and Monetarists. Have differences ever manifested themselves? When? Over what? How were the differences resolved, if at all?
APPENDIX II

People attending Mont Pèlerin Society inaugural meeting, April 1-10, 1947

Prof. M. Allais
École Nationale Supérieure des Mines, Paris

Prof. C. Antoni
Instituto Nazionale per le Relazioni Culturali con l’Estero, Rome

Prof. H. Barth
Université de Zurich, Zurich

Prof. K. Brandt
Stanford University

H.G. Cornuelle
The Foundation for Economic Education, New York

Mr. J. Davenport
Fortune Magazine, New York

Prof. S. Dennison
Gonville and Caius College, Cambridge

Prof. A. Director
University of Chicago

Prof. W. Eucken
University of Freiburg

Dr. E. Eyck
Oxford

Prof. M. Friedman
University of Chicago

President H.D. Gideonse
Brooklyn College, New York

Prof. F.D. Graham
Princeton University

F.A. Harper
The Foundation for Economic Education, New York

Prof. F.A. Hayek
The London School of Economics and Political Science

H. Hazlitt
Newsweek, New York

Dr. T.J.B. Hoff
Oslo

Dr. A. Hunold
Chef du Département des Marchés de la Fédération Suisse des Associations de Fabricants d’Horlogerie

B. De Jouvenel
Paris

Prof. C. Iversen
University of Copenhagen

Prof. J. Jewkes
University of Manchester

Prof. F.H. Knight
University of Chicago

H. de Lovinfosse
Waasmunster, Belgium

Prof. F. Machlup
University of Buffalo

L.B. Miller
Citizen’s Research Council, Detroit

Prof. L. von Mises
New York University

F. Morley
Washington

Prof. M. Polanyi
University of Manchester

Dr. K.R. Popper
The London School of Economics

Prof. W.E. Rappard
Institut Universitaire des Hautes Études Internationales, Geneva

L.E. Read
The Foundation for Economic Education, New York

G. Revey
The Reader’s Digest, Paris

Prof. L. Robbins
The London School of Economics and Political Science

Prof. W. Ropke
Institut Universitaire des Hautes Études Internationales, Geneva

Prof. G.J. Stigler
Brown University, Providence

Prof. H. Tingsten
University of Stockholm

Prof. F. Trexou
Université de Lyon

V.O. Watts
The Foundation for Economic Education, New York

Miss C.V. Wedgwood
Time and Tide, London

Source: Unpublished manuscript by Max Hartwell, president, Mont Pèlerin Society, and material from Mont Pèlerin correspondence at the Hoover Institution, Stanford University.
APPENDIX III

Statement of Aims of the Mont Pèlerin Society

Adopted at the conclusion of the inaugural meeting, April 10, 1947

A group of economists, historians, philosophers and other students of public affairs from Europe and the United States met at Mont Pèlerin, Switzerland, from April 1st to 10th 1947 to discuss the crisis of our times. This group, being desirous of perpetuating its existence for promoting further intercourse and for inviting the collaboration of other like minded persons, has agreed upon the following statement of aims.

The central values of civilisation are in danger. Over large stretches of the earth’s surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy. The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power. Even that most precious possession of Western Man, freedom of thought and expression, is threatened by the spread of creeds which, claiming the privilege of tolerance when in the position of a minority, seek only to establish a position of power in which they can suppress and obliterate all views but their own.

The group holds that these developments have been fostered by the growth of a view of history which denies all absolute moral standards and by the growth of theories which question the desirability of the rule of law. It holds further that they have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.

Believing that what is essentially an ideological movement must be met by intellectual argument and the reassertion of valid ideals, the group, having made a preliminary exploration of the ground, is of the opinion that further study is desirable inter alia in regard to the following matters:

(1) The analysis and exploration of the nature of the present crisis so as to bring home to others its essential moral and economic origins.

(2) The redefinition of the functions of the state so as to distinguish more clearly between the totalitarian and the liberal order.

(3) Methods of re-establishing the rule of law and of assuring its development in such manner that individuals and groups are not in a position to encroach upon the freedom of others and private rights are not allowed to become a basis of predatory power.

(4) The possibility of establishing minimum standards by means not inimical to initiative and the functioning of the market.
(5) Methods of combating the misuse of history for the furtherance of creeds hostile to liberty.

(6) The problem of the creation of an international order conducive to the safeguarding of peace and liberty and permitting the establishment of harmonious international economic relations.

The group does not aspire to conduct propaganda. It seeks to establish no meticulous and hampering orthodoxy. It aligns itself with no particular party. Its object is solely, by facilitating the exchange of views among minds inspired by certain ideals and broad conceptions held in common, to contribute to the preservation and improvement of the free society.


APPENDIX IV

First elected office-bearers of the Mont Pèlerin Society

The officers instated in 1947 were Hayek as president; vice-presidents Eucken in Freiburg, Jewkes in Manchester, Knight in Chicago, Rappard in Geneva and Rueff in Paris and Brussels. Director in Chicago and Hunold in Zurich were the secretaries and Hardy in Washington was made treasurer. Other members of the council were Antoni in Rome, Gideonse in New York, Iversen in Copenhagen, Robbins in London and Röpke in Geneva.

APPENDIX V

Chronology of the IEA to 1981

1945  Antony Fisher read a summary of F.A. Hayek’s *Road to Serfdom*.
1945  Fisher talked to Hayek at the LSE.
1949  Fisher met Ralph Harris at East Grinstead.
1995 (June)  Publication of *The Free Convertibility of Sterling* by George Winder.
1955 (November)  Original trust deed signed by Fisher, John Harding and Oliver Smedley.
1956 (June)  Harris came from Scotland to discuss with Fisher the direction of the institute.
1956 (July)  Trustees confirmed appointment of Harris as general director.
1956 (October)  Advisory board member Lord Grantchester approached Arthur Seldon about writing a paper on pensions for the institute.
1957 (January)  Harris began work as (part-time) general director at Austin Friars, location of the IEA at the time.
1957 (February)  Harris and Seldon first met.
1957 (July)  Publication of *Pensions in a Free Society*.
1958  Seldon appointed editorial adviser.
1958 (September)  Publication of *The City’s Invisible Earnings* by W.M. Clarke.
1958 (December)  Publication of *The Future of the Sterling System* by Paul Bareau.
1958 (December)  Institute moved to basement in Hobart Place with offices for Harris, Seldon, Joan Culverwell (from January 1959) and Michael Solly (from May 1959).
1959 (February)  Publication of *Advertising in a Free Society*.
1959 (June)  Publication of *Trade Unions in a Free Society* by B.C. Roberts.
1959 (September)  Fisher, Harris and Culverwell helped to organise the Oxford conference of the Mont Pèlerin Society.
1959 (October)  *Survey of Large Companies*, by Harris and Solly, published.
1959 (December)  Seldon proposed a series of papers for economists to explore the market approach to issues of the day eventually emerged as the Hobart Papers; nearly 90 had been published by spring 1981.
1960 (January)  Publication of *Not Unanimous – A Rival Verdict to Radcliffe’s on Money*.
1960 (February)  Publication of first Hobart Paper.
1960 (May)  Publication of *Trade with Communist Countries* by Alec Nove and Desmond Donnelly.
1960 (June)  Publication of *Saving in a Free Society* by Enoch Powell.
1961 (February)  IEA moved to Eaton Square.
1961 (July)  Seldon appointed full-time editorial director.
1962 (April)  A financial crisis. Harris and Seldon concentrated on nothing but fund-raising for three months.
1962  Harris proposed the Eaton Papers to analyse the economics of information.
Nine were published between 1963 and 1966.

1962

1962 (September)
John Blundell joined part-time. (Not the same John Blundell who became general director in 1993)

1963 (March)
IEA incorporated as the Institute of Economic Affairs Limited, a private company limited by guarantee.

1963 (April)
John Wood appointed trustee.

1963 (November)

1965 (May)
The first of 12 Key Discussion Books intended for Sixth Form teaching.

1966 (January)
George Polanyi joined as non-resident, full-time researcher.

1966 (January)
Dinner to celebrate IEA's 10th year, attended by 150 academics, businessmen and writers
principal addresses by Jewkes, Paul Chambers and Robbins reproduced in Occasional Paper 8
Economics, Business and Government.

1966 (January)

1967
Harris became hon. sec. of the Mont Pèlerin Society and organised the meeting at Aviemore in 1968 and the Adam Smith double centenary meeting at St. Andrews University in 1976.

1967 (June)
The first IEA readings. 25 published by the end of 1980.

1967-68
"Hobart lunches" gradually evolved into discussions addressed by a visiting economist and presided over by Harris.

1968 (February)
The first of 4 Background Memoranda was published.

1968 (December)
Harris and Seldon drafted The Urgency of an Independent University, signed by 45 British scholars. (A second edition, in November 1969, listed 100 signatories.)

1969
Wood joined staff part-time.

1969 (April)
Harris initiated the Wincott Foundation in memory of Harold Wincott, to sponsor annual lectures and prizes for economic journalists. By 1981 11 Wincott Lectures had been published as Occasional Papers.

1969 (May)
IEA moved to Lord North Street, the IEA present location.

1970
Seldon proposed the Hobart Paperbacks to analyse the transition from ideas to policy. 13 published by the end of 1980.

1971 (July)
Wood appointed full-time deputy director.

1972 (June)
The first of 11 one-day seminars, for IEA subscribers in industry, government, schools and universities, etc. The proceedings were published in IEA Readings.

1972
Wood established the first of several agencies for overseas distribution of IEA Papers.

1976 (January)
Harris appointed hon. sec. of the Political Economy Club.

1976 (February)
University College at Buckingham opened to students.

1977 (January)
Not From Benevolence... written by Harris and Seldon in six weeks (and
preparing and producing the essays prepared and produced by Solly and printers in 14 working days), published to mark IEA's 20th anniversary.

1979 (June) Harris given a peerage.
1980 (July) Harris proposed creation of the Patrick Hutber Memorial, a residence for students at the University College, Buckingham.
1980 (September) Seldon appointed to board of the Mont Pèlerin Society.
1980 (October) The first number of The Journal of Economic Affairs (quarterly) was published by Basil Blackwell, edited by Seldon.
1980 (December) Social Affairs Unit formed
Director, Digby C. Anderson; assistant director, David Marsland.
Topics discussed at Mont Pèlerin meetings, 1947-1989

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*Source: Manuscript on the history of the Mont Pèlerin Society being prepared for publication by current president Max Hartwell*
APPENDIX VII

IEA publications from inauguration to 1981

Hobart Papers

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<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Year</th>
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<tr>
<td>Resale Price Maintenance and Shoppers' Choice</td>
<td>B.S. Yamey</td>
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<td>To Let?</td>
<td>Norman Macrae</td>
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<td>Balance Sheet for Take-overs</td>
<td>Anthony Vice</td>
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<td>Pensions for Prosperity</td>
<td>Arthur Seldon</td>
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<td>Anything but Action?</td>
<td>A.P. Herbert</td>
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<td>Unions in Prosperity</td>
<td>Frank Bealey, Stephen Parkinson</td>
<td>1960</td>
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<td>Company Law for Shareholders</td>
<td>Guy Naylor</td>
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<td>Reform for Purchase Tax</td>
<td>A.R. Prest</td>
<td>1961</td>
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<td>Revolution in Retailing</td>
<td>Christina Fulop</td>
<td>1961</td>
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<tr>
<td>Growthmanship</td>
<td>Colin Clark</td>
<td>1961</td>
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<td>Still Not Enough Competition?</td>
<td>John Heath</td>
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<tr>
<td>A Market for Labour</td>
<td>D.J. Robertson</td>
<td>1961</td>
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<td>A Prosperous Press</td>
<td>Iain Colquhoun</td>
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<td>Health Through Choice</td>
<td>D.S. Lees</td>
<td>1961</td>
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<td>TV: From Monopoly to Competition – and Back?</td>
<td>Wilfred Altman, Denis Thomas and David Sawers</td>
<td>1962</td>
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<td>Ordinary Shares for Ordinary Savers</td>
<td>Richard Kellett</td>
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<td>and Common Market: a Reappraisal</td>
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<td>The Wage Fixers</td>
<td>J.E. Meade</td>
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<td>Libraries: Free-for-All?</td>
<td>Henry Smith</td>
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<td>Relief for Ratepayers</td>
<td>A.P. Herbert</td>
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<td>Freedom for Fuel</td>
<td>A.R. Ilersic</td>
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<td>Farming for Consumers</td>
<td>Georg Tugendhat</td>
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<td>Transport for Passengers</td>
<td>Graham Hallett and Gwyn James</td>
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<td>Prices for Primary Producers</td>
<td>John Hibbs</td>
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<td>Education for Democrats</td>
<td>Alan T. Peacock and Jack Wiseman</td>
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<td>Taxmanship</td>
<td>Colin Clark</td>
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<td>Monetary Policy for Stable Growth</td>
<td>E. Victor Morgan</td>
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<td>Vacant Possession</td>
<td>John Carmichael</td>
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<td>Policy for Incomes?</td>
<td>F.W. Paish, Jossleyn Hennessy</td>
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<td>Land in the Market</td>
<td>D.R. Denman</td>
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<td>Money in the International Economy</td>
<td>G. Haberler</td>
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<td>C.T. Sandford</td>
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<td>Paying for Parking</td>
<td>G.J. Roth</td>
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<td>Fuller Employment?</td>
<td>M.J. Farrell</td>
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<td>Growth Through Competition: an Alternative to the National Plan</td>
<td>&quot;Spartacus&quot;</td>
<td>1966</td>
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619 The source for all publications in this appendix is Economics: A complete catalogue of all IEA titles, published by the IEA 1990-91.
Telephones – Public or Private?
The Company, the Shareholder, and Growth
What Price North Sea Gas?
Financial Intermediaries and Monetary Policy
Housing, Town Planning and the Land Commission
The Price of Blood
Financial Intermediaries and Monetary Policy
Housing, Town Planning and the Land Commission
The Price of Blood
Economics, Education and the Politician
Paying for TV?
Money in Boom and Slump
Gold and International Equity Investment
U.K. and Floating Exchanges
Rise and Fall of Incomes Policy
Housing Market Analysis and Policy
Transport Policy:
Co-ordination through Competition
Industrial Merger and Public Policy
Competition in Banking
Housing and the Whitehall Bulldozer
The Price of Air Travel
Rates or Prices?
Macromancy
Macro-economic Thinking
and the Market Economy
A Market for Aircraft
The Price of Prosperity
The Energy “Crisis” and British Coal
Theft in the Market
Government and Enterprise
Participation without Politics
Taming the Tiger
Experiment with Choice in Education
How Little Unemployment?
Pricing for Pollution
The British Disease
Too Much Money ...?
Gold or Paper?
Denationalisation of Money –
   The Argument Refined
Pricing or Taxing?
Over-Taxation by Inflation
Poverty before Politics
Economic Forecasting – Models or Markets?
Paying by Degrees
Delusions of Dominance
Can Workers Manage?

Michael Canes 1966
F.R. Jervis 1966
George Polanyi 1967
N.J. Gibson 1967
F.G. Pennance 1967
Michael Cooper and Anthony Culyer 1968
E.G. West 1968
Sir Sydney Caine 1968
A.A. Walters 1969
S. Herbert Frankel 1969
Harry G. Johnson, John E. Nash 1969
F.W. Paish 1969
F.G. Pennance 1969
G.J. Ponsonby 1969
Brian Hindley 1970
Brian Griffiths 1970
Robert McKie 1971
M.H. Cooper and A.K. Maynard 1971
A.K. Maynard and D.N. King 1972
Douglas Rimmer 1973
L.M. Lachmann 1973
Keith Hartley 1974
Chiaki Nishiyama, G.C. Allen 1974
Colin Robinson 1974
R.L. Carter 1974
Ivy Papps 1975
Samuel Brittan 1975
Richard Jackman, Kurt Klapholz 1975
Alan Maynard 1975
John B. Wood 1975
Wilfred Beckerman 1975
G.C. Allen 1976
Gordon T. Pepper, 1976
Geoffrey E. Wood 1976
E. Victor Morgan, Ann D. Morgan 1976
F.A. Hayek 1976
Ralph Harris, Arthur Seldon 1976
David R. Morgan 1977
Colin Clark 1977
James B. Ramsey 1977
Michael A. Crew, Alastair Young 1977
John Jewkes 1977
Brian Chiplin, John Coyne, 1977
Ljubo Sirc 1977
The Consequences of Mr. Keynes
Give Us This Day ...
The Fallacy of the Mixed Economy
How Japan Competes: A Verdict on "Dumping"
The Myth of Social Cost
The Building Society Price Cartel
Protectionism Again ...?
Sport in the Market?
For Love or Money?
1980s Unemployment and the Unions
Monopoly in Money and Inflation
What Future for British Coal
How to End the "Monetarist" Controversy

Hobart Paperbacks


Over-Ruled on Welfare
The Emerging Consensus ...?
The Wincott Lectures

The Counter-Revolution in Monetary Theory                        Milton Friedman  1970
Wages and Prices in a Mixed Economy                              James E. Meade  1971
Government and High Technology                                    John Jewkes    1972
Economic Freedom and Representative Government                  F. A. Hayek     1973
Aspects of Post-war Economic Policy                              Lord Robbins   1974
A General Hypothesis of Employment, Inflation and Politics       Peter Jay       1976
The Credibility of Liberal Economics                            Alan Peacock   1977
Economists and the British Economy                               Alan Walters    1978
Choice in European Monetary Union                                Roland Vaubel  1979
Whatever Happened to Productivity?                               Graham Hutton  1980
What is Wrong with the European Communities?                    Juergen B. Donges 1981
The Disorder in World Money: From Bretton Woods to SDRs           Paul Bureau    1981

The Wincott Lectures have been delivered in London over a period of 20 years. They are supervised by the Wincott Foundation and the proceedings of each lecture is published by the IEA as part of its Occasional Papers series.

Research Monographs

Restrictive Practices in the Building Industry                     Frank Knox, Josselyn Hennessy  1966
Economic Consequences of the Professions                          D.S. Lees       1966
A Self-financing Road System                                      G. J. Roth      1966
Marketing for Central Heating                                    Christina Fulop, Ralph Harris 1966
Private Enterprise and Public Emulation                           Mario Deaglio   1966
John Stuart Mill’s Other Island                                   Henry Smith    1966
Source-book on Restrictive Practices in Britain                  Graham Hutton, ed. 1966
Universal or Selective Social Benefits?                           Arthur Seldon, Hamish Gray 1967
The Political Economy of Nuclear Energy                          Duncan Burn     1967
Copyright and the Creative Artist                                Denis Thomas    1967
Planning in Britain: the Experience of the 1960s                  George Polanyi  1967
Economic Sanctions and Rhodesia                                   Timothy Curtin, David Murray 1967
Consumers in the Market                                           Christina Fulop 1967
Taxation and Welfare                                             Arthur Seldon  1967
Integration in Freight Transport                                  A. A. Walters   1968
Dependency and the Family                                         Marjorie Bremner 1968
The Shape of Britain’s Tariff                                     Sidney J. Wells 1968
The Cost of Council Housing                                       Hamish Gray    1968
Systems Analysis in Social Policy                                 Ida R. Hoos     1969
Policy for Poverty                                                Anthony Christopher, George Polanyi, Arthur Seldon, Barbara Shenfield 1970
The Marketing of Milk                                             Linda Whetstone 1970
(Supplement: The U.K. Dairy Industry since 1970, also by Whetstone) 1975
Social Benefits and Tax Rates                                     A. R. Prest     1970
Pitfalls in Econometric Forecasting                               E. W. Streissler 1970
Detergents: A Question of Monopoly?                               George Polanyi 1970
Agricultural Support in Western Europe
Markets for Employment
India: Progress or Poverty?
How Much Unemployment?
A Market for Animal Semen?
Which Way Monopoly Policy?
How Much Inequality?
How Much Subsidy?
Exchange Control for Ever?
Grants or Loans?
Capitalist Technology for Soviet Survival
Manufacturing Two Nations

Occasional Papers

The Intellectual and the Market Place
Growth, Advertising and the Consumer
Monopoly or Choice in Health Services?

Advertising and Competition
Competition in Radio
The Future of Steel
The Inconsistencies
 of the National Health Service
Economics, Business and Government

Two Views on Aid to Developing Countries
Markets and the Franchise
After the Boom ...
Financing University Education
Towards a Welfare Society
Economic Fact and Fantasy
Overseas Investment or Economic Nationalism?

Paying for the Social Services
Pricing and Society
Exchange Rates and Liquidity
Pricing in Hungary
The Confusion of Language in Political Thought
After the NHS
Choice: Lessons from the Third World
Politics and Economic Growth
The Political Economy of Tax Avoidance
Towards an Independent University
Economic Aspects of Student Unrest
Rebuilding the Liberal Order

Richard W. Howarth 1971
Christina Fulop 1971
Sudha Shenoy 1971
John B. Wood 1972
Linda Whetstone, Henry Smith 1972
George Polanyi 1973
George Polanyi, John B. Wood 1974
A.R. Prest 1974
Robert Miller, John B. Wood 1979
A. Lewis, C. Sandford, N. Thomson 1980
Philip Vander Elst 1981
J.H. McEnery 1981

George J. Stigler 1963
Ralph Harris 1964
John and Sylvia Jewkes, 1964
Arthur Kemp, D.S. Lees 1964
Lester G. Telser 1965
Denis Thomas 1965
Duncan Burn et al 1965
J.M. Buchanan 1965
John Jewkes, Sir Paul Chambers,
Lord Robbins 1966
Barbara Ward, P.T. Bauer 1966
T.W. Hutchinson 1966
Sir John Hicks 1966
A.R. Prest 1966
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G.C. Allen 1967
Lord Shawcross, Sir Sydney Caine,
Val Duncan 1967
Douglas Houghton 1967
Armen A. Alchian 1967
J. Enoch Powell 1967
Béla Csikós-Nagy 1968
F.A. Hayek 1968
Arthur Seldon 1968
Peter du Sautoy 1968
Graham Hutton 1968
A.A. Shenfield 1968
H.S. Ferns 1969
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Lord Cromer 1969

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The Market in Art
Keynes and the Classics
A Policy for Fuel?
Expansionism in Social Insurance
The Counter-Revolution in Monetary Theory
Insurance in the Economy
Wages and Prices in a Mixed Economy
The Polluters: Industry or Government?
Government and High Technology
Trade Unions: A Century of Privilege?
Economic Freedom
and Representative Government
Lessons of Maplin

Monetary Correction
Aspects of Post-war Economic Policy
Crisis '75 ...

Unemployment versus Inflation?
Full Employment at Any Price?
Employment, Inflation and Politics
Catch '76

Choice in Currency
From Galbraith to Economic Freedom
The Credibility of Liberal Economics
Inflation and Unemployment:
   The New Dimension of Politics
Liberty and Equality
Democracy and the Value of Money
Economists and the British Economy
Choice in European Monetary Union

A.G. Ling, James Rouse, W.A. West, 1969
Marian Bowley, Nathaniel Lichfield
George Savage 1969
Axel Leijonhufvud 1969
Colin Robinson 1969
Robert J. Myers 1970
Milton Friedman 1970
J.H. Dunning 1971
James E. Meade 1971
Neil H. Jacoby, F.G. Pennance 1972
John Jewkes 1972
C.G. Hanson 1973
F.A. Hayek 1973
Christopher Foster, J.B. Heath, G.H. Peters, J.E. Ffowcs Williams, Peter Masefield 1974
Milton Friedman 1974
Lord Robbins 1974
John Hicks, E.H. Phelps Brown,
J.E. Meade, Lord Kahn, Henry Smith,
Sir Alec Cairncross, P.M. Oppenheimer,
Wilfred Beckerman, Paul Barseau,
Malcolm Fisher, Ralph Harris,
E. Victor Morgan, Alan A. Walters,
Michael Parkin, Samuel Brittan,
Harry G. Johnson 1975
Milton Friedman 1975
F.A. Hayek 1975
Peter Jay 1976
John Flemming, Brian Griffiths,
Anthony Harris, Frank W. Paish,
Ralph Harris, Arthur Seldon,
Malcolm Fisher, Denis P. O'Brien,
Colin D. Harbury, Ivor Pearce,
Lady Ursula Hicks, Charles K. Rowley,
Peter Oppenheimer,
Maurice H. Peston 1976
F.A. Hayek 1976
Milton Friedman 1977
Alan Peacock 1977
Milton Friedman 1977
Lord Robbins 1977
William Rees-Mogg 1977
Alan Walters 1978
Roland Vaubel 1979

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Whatever Happened to Productivity?  Graham Hutton  1980
Corrigible Capitalism, Incorrigible Socialism  Arthur Seldon  1980
The End of Government ...?  Ralph Harris  1980
What is Wrong with the European Communities?  Juergen B. Donges  1981
Wither the Welfare State  Arthur Seldon  1981
The Disorder in World Money: From Bretton Woods to SDRs  Paul Bareau  1981

IEA Readings

Growth through Industry  John Jewkes, Jack Wiseman, Ralph Harris, John Brunner, Richard Lynn, and 7 chairman of leading British companies  1967
Essays in the Theory and Practice of Pricing  (No authors indicated)  1967
Inflation and the Unions  Gottfried Haberler, Michael Parkin, Henry Smith  1972
Verdict on Rent Control  F.A. Hayek, Milton Friedman and George J. Stigler, Bertrand de Jouvenel, F.W. Paish, Sven Rydenfelt  1972
Regional Policy for Ever?  Graham Hallett, Peter Randall, E.G. West  1973
The Economics of Charity  Armen Alchian, William Allen,  381
Government and the Land

Ivlichael Cooper, Anthony Culyer, Marilyn Ireland, Thomas Ireland, David Johnson, James Koch, A.J. Salsbury, Gordon Tullock
A.A. Walters, F.G. Pennance, W.A. West, D.R. Denman, Barry Bracewell-Milnes, S.E. Denman, D.G. Slough, Stuart Ingram
1974

Inflation: Causes, Consequences, Cures

Lord Robbins, Samuel Brittan, A.W. Coats, Milton Friedman, Peter Jay, David Laidler
1974

The Dilemmas of Government Expenditure

Robert Bacon and Walter Eltis, Tom Wilson, Jack Wiseman, David Howell, David Marquand, John Pardoe, Richard Lynn
1974

The State of Taxation

1976

Trade Unions: Public Goods or Public "Bads"?

Lord Robbins, Charles G. Hanson, John Burton, Cyril Grunfeld, Brian Griffiths, Alan Peacock
1977

The Economics of Politics

James M. Buchanan, Charles T. Rowley, Albert Breton, Jack Wiseman, Bruno Frey, A.T. Peacock, Jo Grimond, W.A. Niskanen, Martin Ricketts
1978

City Lights

E. Victor Morgan, R.A. Brealey, B.S. Yamey, Paul Beraeu
1978

Job "Creation" – or Destruction?

1979

The Taming of Government

1979

Tax Avoision

A.R. Ilersic, Anthony Christopher, D.R. Myddelton, Christie Davies, Lord Houghton
1979

Prime Mover of Progress

Sir Frank McFadzean, Leslie Hannah, P.D. Henderson, Israel Kirzner, Sir Arthur Knight, D.G. MacRae, Neil McKendrick, Ivor Pearce, Arthur Seldon, Nigel Vinson
1980

Is Monetarism Enough?

John Burton, Walter Eltis, Patrick Minford, Morris Perlman, Harold Rose
1980

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## APPENDIX VIII: ELECTION RESULTS IN THE U.K.

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<td>Ramsay MacDonald (Labour)</td>
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<td>1937</td>
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<td>321</td>
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<td>Neville Chamberlain (Conservative)</td>
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<td>1940</td>
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<td>58</td>
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<td>1945</td>
<td>Labour</td>
<td>365</td>
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<td>1950</td>
<td>Labour</td>
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<td>1964</td>
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<td>1970</td>
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## APPENDIX IX: U.S. PRESIDENTIAL ELECTION RESULTS

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<th>Republican</th>
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<td>Herbert Hoover</td>
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<td>F.D. Roosevelt</td>
<td>60.8</td>
<td>Alfred Landon</td>
<td>36.5</td>
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<td>Wendell Wilkie</td>
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<td>F.D. Roosevelt</td>
<td>53.4</td>
<td>Thomas Dewey</td>
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<td>49.5</td>
<td>Thomas Dewey</td>
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<td>Dwight Eisenhower</td>
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<td>42.0</td>
<td>Dwight Eisenhower</td>
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<td>Barry Goldwater</td>
<td>36.5</td>
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<td>Richard Nixon</td>
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<td>Richard Nixon</td>
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<td>Gerald Ford</td>
<td>48.0</td>
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<td>Jimmy Carter</td>
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<td>Walter Mondale</td>
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<td>Ronald Reagan</td>
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<td>Michael Dukakis</td>
<td>45.5</td>
<td>George Bush</td>
<td>53.4</td>
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APPENDIX X: THE BRITISH PRIVATISATION CAMPAIGN

Winning Consent: Privatisation.

Popular Capitalism and Privatisation Advertising in the 1980s

The Conservative government transferred public holdings worth £41.5 billion into private hands between 1979 and 1992, more than quadrupling the number of shareholders in the country. It adopted a strategy of winning consent from key interest groups through campaigns around the theme of “popular capitalism.” While privatisation, which started slowly and cautiously, was not part of the Conservative platform in the election of 1979 which brought the Thatcher government to power, it was a policy well suited to the party’s stated desire to cut the budget deficit without raising taxes and its wish to severely curtail what it believed was excessive public sector union power, as well as to improve efficiency. Commentators, as discussed in the main text, debate the exact impetus behind the Conservatives’ privatisation drive which took off in earnest following their re-election in 1983; some placing more importance on the pragmatics of the policy and the wish to fill government coffers; others on the Conservative Party’s desire to neutralise what it saw as an old and powerful enemy in the trade unions. In addition, many saw it as promoting the ideology of capitalism itself, as indicated in the earlier quotation from the Adam Smith Institute’s Pirie, who argued that widening share ownership extends the stake in capitalism.

The British privatisation programme, which has since become a model for similar schemes in other countries, was a policy direction very different from the nationalisation that characterised the postwar years. The intellectual climate on the issue of privatisation had already been changing before Thatcher’s election, and the government was able to target messages at key interest

620 Saunders and Harris 5.
groups, bringing them together around the articulating theme of “popular democracy” and “shareholders’ democracy.” Pirie, who was involved with the programme, describes the importance of techniques such as targeting in his book Privatisation. Discussing the policy, he argues:

One reason for the success of this strategy has undoubtedly been the techniques which have been used to execute the transfers. Far from being simply a question of ‘selling off the state’, it has been a creative process in which the policies were developed to deal with each specific area of state activity. ... The process of transfer has taken many different forms, and has been aimed at a variety of recipients.

The development of successful methods has involved dealing with the entrenched forces, the interest groups, and the political pressures which devolve on the state sector. Each state programme has its beneficiaries; there are those whose livelihood is bound up in it, those whose career prospects depend on it, and those who benefit directly from its output. All of the groups involved have to be dealt with systematically, otherwise the same forces which resist economy campaigns would also act against the attempts to privatize. No small part of the success of privatization has been the identification of these groups and the construction of policies contrived to circumvent their opposition.62

A thread woven through the book is this theme of identifying and targeting interest groups and then, most importantly, bringing them together as supporters of privatisation under themes such as shareholders’ democracy and entrepreneurship, stressing their self-interest in addition to the other values fostered ahead of the campaign. Pirie sees the building of alliances around a policy, while at the same time building an ideology, as important steps.622

The creation of counter-groups normally takes time, and is more appropriate to cases where privatisation can be introduced gradually. The success of privatisation gradually spreads to more people and can secure the allegiance of beneficiaries until there are enough enjoying its benefits to outweigh those who object to the systematic diminution of the state’s role.

622 Ibid 179.
Privatisation, like many other consumer society marketing campaigns, made use of extensive advertising and other mass-marketing techniques; transferring to the private sector huge shareholdings in corporations such as British Airways, British Gas, British Petroleum and British Telecom.

The huge advertising campaign preceding the initial sale by public offer in November 1984 of the monopoly supplier of telephone services, British Telecom – the first to be advertised on television – used the theme of a new Britain as an entrepreneurial nation of shareholders in a massive campaign directed at small, first-time shareholders. This theme was important to the British Telecom offering because if the market were to be successfully expanded to absorb the volume of shares, interest groups that might oppose the privatisation needed to be won over and people who did not normally invest in stocks were required as buyers. According to John Redwood, this £4-billion offering by the British government was, at the time, the largest offering ever made, not only in the London market but in the world. The later sale of British Gas was even greater, with gross receipts of over £5 billion, although both were overshadowed by the sale in 1986 of Nippon Telephone and Telegraph by the Japanese government, according to Centro Veljanovski.

In his book *Selling the State*, Veljanovski says the British Telecom advertising campaign cost £7.5 million, the British Gas campaign more than £28 million. Pirie says the advertising played a key role in the popularising of participation in the share market, describing the campaign to increase the share-owning population:

Popular advertising plays a large part in encouraging a wide

---

625 Ibid 132.
base of public interest. The government in Britain moved from initial use of advertisements in serious newspapers to campaigns aimed at a wider audience. More popular newspapers, circulars to consumers and leaflets in banks were supplemented by extensive use of radio and television commercials and even billboards. The result was to draw applications by the million.626

Target groups for the Telecom offer included sectors of the international stock market as well as traditionally non-investing groups. The target market was broken down into the following three groups by the promoters of the Telecom privatisation, according to Redwood, who was initially head of the prime minister’s policy unit before setting up an international privatisation and financial services division at N.M. Rothschild:

- The institutional market, traditionally an important source of investment funds;
- The overseas market, for some 15 per cent of the Telecom shares. A simultaneous issue in the U.S., Canada, Japan and Europe was arranged.
- Small investors who had not thus far been encouraged to invest in the share market. These were to be made up of three groupings: Telecom employees, subscribers and the wider public, which required a retail marketing plan not previously associated with British share offerings.

626 Pirie 72.
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