

Angus Burgin, *The great persuasion: Reinventing free markets since the depression*

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The Review of Austrian Economics

ISSN 0889-3047

Volume 26

Number 3

Rev Austrian Econ (2013) 26:355-358

DOI 10.1007/s11138-013-0206-z



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Angus Burgin, *The great persuasion: Reinventing free markets since the depression*

Cambridge, MA: Harvard University Press, 2012. 320 Pages.
USD 29.95 (cloth)

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Published online: 16 February 2013
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Angus Burgin received the 2010 Joseph Dorfman Prize from the History of Economics Society for the dissertation on which this book is based. It is an excellent history of ideas about the role of markets in society and of advocacy for free markets since the Great Depression. Until recently, historians commonly viewed American conservatism in psychological terms, such as Richard Hofstadter did in “The Pseudo-Conservative Revolt” (1954–55) and *The Paranoid Style in American Politics* (1965). The presumption was that there were no intellectual or ethical foundations for conservatism. All the intelligent people and all the good people were “progressives.” *The Great Persuasion* is a welcome addition to new work by historians who are finding and writing about the intellectual and moral foundations of conservatism.

Readers of this journal may object that advocates of free markets should not be called conservatives, but rather classical liberals or libertarians. The problem of accurately labeling the political and economic philosophy that lends support to free markets is one of the threads in Burgin’s story. A related thread is the tension that existed within the community that “reinvented free markets.” The enthusiasm for free markets was more qualified among cultural conservatives than among libertarian-leaning liberals.

The book’s historical account is supported by Burgin’s extensive archival research and wide reading of published source materials. He conveys the history with a lively sense of drama, but also with appropriate scholarly detachment. People and ideas are set in the context of events, especially the Great Depression. The chief figures in the book, F.A. Hayek and Milton Friedman, are presented neither as heroes nor as villains. If we look on the book as a drama, it is in three acts. Act one presents the intellectual crisis for proponents of free markets in the 1920s and 1930s. In act two we witness attempts to organize intellectual efforts to sustain and reform classical liberalism. These culminated in Hayek’s 1947 gathering at Mt. Pèlerin. We also witness the internal struggles and uncertainties of the Mont Pelèrin Society’s first

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decade. The third act portrays the era of Milton Friedman. A brief account of the book's trajectory follows.

An introduction that features J.M. Keynes's *The End of Laissez-Faire* (1926) precedes the first chapter. Keynes argued in this lecture given at Oxford that notwithstanding popular perceptions, laissez-faire as an economic doctrine never had the support of scientific economics. It was instead the product of a political philosophy forged in the seventeenth and eighteenth centuries in opposition to crown and church. Keynes suggested that the philosophers' consensus for laissez-faire remained influential in public affairs, "but a change is in the air" (1926, p. 5). Keynes's lecture represents the intellectual crisis and the Great Depression the economic crisis that are the setting for Burgin's chapter one, "Market Advocacy in a Time of Crisis." Key figures in the chapter are Edwin Cannan, Lionel Robbins, and Hayek at the LSE, and Frank Knight, Jacob Viner, and Henry Simons at the University of Chicago. Chapter two, "Entrepreneurial Ideas," makes very good use of archival sources to trace the impact of Walter Lippmann's *The Good Society* (1937) and the development of European liberal networks in the 1930s, particularly the "Conférence (or Colloque) Walter Lippmann." In chapter three, "Planning Against Planning," Burgin discusses the dissemination and reception of Hayek's *The Road to Serfdom* (1947) and the first years of the Mont Pèlerin Society. The story of the society's initial years continues in chapter four, "New Conservatisms," with particular attention to the growing divisions between those in the Society who were more progressive and those who were more conservative. The American economists such as Friedman and Aaron Director were in the first group and Europeans with philosophical, sociological, and historical orientations, such as Wilhelm Röpke, Raymond Aron, and Hayek, were in the latter. We also see the growing dominance of the economists, with the Mont Pèlerin meeting agendas becoming increasingly economic. Concerns over culture and political systems gave way to economic engineering in service of free markets. In chapters five and six the focus turns to Milton Friedman, who in the 1960s replaced Hayek as the face and voice of both the Mont Pèlerin Society and free-market liberalism.

Chapter six is followed by the book's conclusion, which is a historical update of Keynes's *The End of Laissez-Faire* (1926). This conclusion, "The Spirit of an Age," brings the story full circle, with Burgin considering the fate of free market ideas after the economic crisis of 2008. Concluding the book this way gives the drama of *The Great Persuasion* a tragic arc, as the tides of events once again revive claims that markets are unstable and unfair, and that the case for free markets lack's solid intellectual support. Ideas of the efficacy of markets that were once in the shadows have come into the light through the efforts of a core group of intellectuals, and have become part of the working vocabulary across the political spectrum. But have these ideas now run their course, undermined by their own success?

One element of the story's tragic arc as told by Burgin is that what began with Hayek, Röpke, Lippmann, philosopher Louis Rougier, and others as a broad humanistic attempt to revive the philosophical and cultural foundations of liberalism, by the 1950s had become a rather narrow economic rally around free markets. Members of the Mont Pèlerin Society were by then more comfortable discussing economic issues than matters of philosophy, history, and culture.¹

¹ See Hammond and Hammond (forthcoming).

I fear that Burgin himself has taken an overly economic bent in his historical analysis. This might be inferred from the strictly economic emphasis in the book's subtitle – "Reinventing Free Markets Since the Depression." Largely missing as context for Burgin's account is the rise of totalitarianism in Germany and Russia, and the attraction of totalitarianism to Western intellectuals. The allure of Communism was not always, and perhaps not mostly, based on a belief in the comparative efficiency of central planning over free markets. Keynes wrote in 1934:

Communism is not a reaction against the failure of the nineteenth century to organize optimal economic output. It is a reaction against its comparative success. It is a protest against the emptiness of economic welfare, an appeal to the ascetic in us all to other values. It is the curate in [H.G.] Wells, far from extinguished by the scientist, which draws him to take a peep at Moscow. ... The idealistic youth play with Communism because it is the only spiritual appeal which feels to them contemporary; but its economics bothers them and disturbs them. When Cambridge undergraduates take their inevitable trip to Bolshiedom, are they disillusioned when they find it all dreadfully uncomfortable? Of course not. That is what they are looking for. (Shaw et al. 1934).

The Mont Pèlerin liberals stood out as opponents of communism in a larger intellectual community in which anti-anti-communism was the norm. The list of western intellectuals who made pilgrimages to the Soviet Union and China, turning a blind eye to human rights abuses, is long and illustrious.² This history would have added rich context to Burgin's account of the urgency of felt need for liberal regrouping in the 1930s and 1940s.

In some places Burgin seems close to falling into the historians' old habit of stereotyping "conservatives" as either intellectually shallow or manipulative or both. Shallowness is suggested by his judgment that "The rise of modern American conservatism was heavily inflected but not overdetermined by its populism. Even anti-intellectual movements draw on assumptions that are not wholly untouched by the philosopher's hand" (p. 224). Manipulation of public opinion is hinted at by the chapter title, "The Invention of Milton Friedman," and by statements such as "Friedman was able to present himself as a genuine and emphatic populist" (p. 192). Amid the uproar over Friedman's meeting with Augusto Pinochet in Chile, his defense was that he was willing to advise anyone who asked him. According to Burgin, this "provided an appearance of legitimacy to his assertions that his economic philosophy was constructed with the well-being of average individuals – and even the destitute – as a paramount goal" (p. 193).

I do not intend to suggest that Burgin is unfair to Friedman or to retract what I suggested above about Burgin's scholarly detachment. He provides evidence of Friedman's genuineness in the passages from which the two statements about Friedman that are quoted above are taken. But there is a tone in the two chapters on Friedman that suggests that Friedman's role in the resurgence of liberalism was public relations rather than scholarship and education.

In 1920 government spending was 12 % of GDP in the U.S. In 1960 it was 27 %. There was also a vast expansion of the regulatory state from the 1920s through the

² See Hollander (1981).

1960s. The absence of these changes in the role and scope of government from Burgin's account affects the way he portrays Friedman and his Chicago colleagues. We are told that "Friedman's views hardened during the 1950s" along with "[Aaron] Director's hardened skepticism about government regulation" (p. 171) and that "Friedman became the public rhetorician of the jaundiced view of government intervention that increasingly characterized Chicago economics" (p. 172). Similarly, Burgin suggests that Friedman's political philosophy shifted markedly after the early 1950s, a shift away from his earlier opposition to monopoly and support for poor relief. But skepticism at Chicago about regulation and antitrust and about public welfare programs was based on studies that found regulatory policies more often than not protected monopoly (or were otherwise ineffective), and that as they were constituted, welfare programs worked to the advantage of the well-off and to the detriment of the poor. This was not a change in political philosophy, but rather adaptation of one's ideas about policy to evidence of how policies have worked.

In my view the first four chapters of *The Great Persuasion* are richer in historical detail and insight than the two that cover the era of Milton Friedman. But the entire book is a pleasure to read and, as I hope is evident in this review, deserving of close attention.

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