
REKINDLING THE FLAME

— the revival of liberalism

by

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When 'progressive' ideas are now those which all the more encroach upon individual liberty, remedial attempts to restore the free society in opposition to socialism and collectivism tend to fall broadly into two categories of action.

The predominant, and perhaps easiest to follow, is that of conservatism — resistance to change and a clinging to older values. To some degree there may be merit in this approach and historically the conservative opposition to drastic change has always formed a legitimate expression of mood and taste. However, the great flaw and thus one of the great dangers in conservative thinking is that it

is unable to give an alternative to the direction in which society is moving. The complacency with which a conservative views established authority is part of the problem, for he is, as Hayek says, 'less concerned with how the powers of government should be limited than with that of who wields them; and, like the socialist, he regards himself as entitled to force the value he holds on other people'. It is little wonder that when the predominant ideology throughout the world today is, if not socialist, then decidedly interventionist, the conservative is dragged along a path probably not of his choosing. For while he may succeed in slowing down

some undesirable development, he is unable to alter the course and continuance of the trends.

The second path of action is that of liberalism (or latterly libertarianism — an explanation shortly). This thinking favours free growth, spontaneous evolution, and above all, individual liberty, but as an intellectual force for most of this century, liberalism has been all but dormant. This is hard to understand, particularly as it was the rise of the liberal intellectuals which led to the freedoms and high standards of living we now possess.

The work of such great minds as John Locke, Adam Smith, David Hume, Edmund Burke, Lord Acton and Alexis De Tocqueville set the stage for the modern western civilization and is the heritage of our free society.

Yet for the past several generations, the tide has been running away from the free society and to a more collective order, leaving perhaps little optimism for the future. This however, is now far from being the case, for there has been, particularly in the last ten years, a vigorous revival of liberal thought.

Historical antecedents

History has long recorded the rise and fall of civilizations. Without exception, these were fostered by aristocratic elites. In their endeavours to manufacture greatness for their societies, rulers and leaders spared little thought for the society's individual members. Citizenship was rare, and for the slaves and the serfs of the medieval welfare estates, any surplus created by their labours was expropriated.

With the break-down of serfdom, rulers devised other means for maintaining their dominance over individuals — punitive taxation, regulatory controls over labour, commerce and trade, and importantly, almost total control of land. This was long before questions of in-

dividual liberty, private property, freedom of enterprise and the free market had gained any intellectual significance.

With the English Revolution of 1688 and the emergence of a number of writers, notably philosopher John Locke, the right of an individual to his person and property became, for the first time, high political and moral ideals. The role of government according to Locke, was strictly limited to protecting these rights.

The liberating influence of Locke and later Hume, Smith and others, unleashed mighty forces for freedom as these classical liberals set to their task of bringing individual liberty, in all its inter-related aspects, to the fore. Human energy, enterprise and markets were to be set free to create and produce to the benefit of all. Taxes were reduced or abolished, controls and regulations eliminated from land, labour and capital alike. The entrepreneur was at last set free.

The paternalism of the Stuarts and Tudors, the mercantilism linking government and business in an alliance of privilege and an incredible muddle of restrictions were steadily broken down. The changes occurring in Britain soon aided in the transformation of colonial America into the world's first major limited government republic.

The western world was now entering a completely new phase; one where power was with the people — the power of the market. This true democracy was brought about simply by separating the state from the economy.

The decline

With the Industrial Revolution in full swing and standards of living increasing rapidly, the intellectual defences of the free society began to drop. The pursuit of 'equality', a vague but effective term inherited from the French Revolution (just

consider the horrifying crimes committed in the name of equality in that period), and the influence of Marx, more and more seduced the young intellectuals, who only a few decades before would have been the unbridled champions of liberty. The state, by effectively subsidizing the provision of university facilities, was also a major contributor to this change.

The worker, instead of being shown the way to a more comfortable standard of living through the market, was convinced by the new intellectuals that he was being 'exploited' — like equality, a totally vague but ever so effective term. A new class war began, setting two groups of natural allies — employers and employees — against each other.

The ever increasing influence of the Fabians and Marxists moved governments again towards central control of the economy, but this time in a far more pervasive form. The intellectual influence of the classical liberals waned into insignificance.

Stirrings

Prior to the Second World War, a number of schools of economic thought were challenging orthodox opinion and vying for prominence. In Britain, the views of the Austrian F.A. Hayek were receiving attention, but the politics of the Great Depression made his theories extremely hard to apply simply because they did not offer easy solutions. The persuasive and genial John Maynard Keynes on the other hand presented a tidy prescription which promised to end forever the 'excess' of capitalism, consigning the peaks and troughs of boom and recession to economic history — or so the theory went. Hayek lost the battle to the 'politically more feasible' theories of Keynes, paving the way for a generation or more of macroeconomic attempts at economic regulation. The

spectre of socialism was always present, particularly with the rise of the neo-Keynesians.

With the end of the Depression came a war 'for freedom'. The essentials of what freedom really meant were lost in the hubbub of wartime rhetoric as the world spent six years ridding itself of the fascist menace. An alliance with communism — the fascism of the left — which was to throw half of Europe into chains seems rather paradoxical now, but then of course socialism was intellectually respectable.

During the war, Hayek published his first major work outside economics. **The Road to Serfdom**, dedicated to 'the socialists of all parties', warned the world of a new serfdom, of a trend to collectivism disguised with the trappings of equality and justice. To some degree, he was crying in the wilderness, but the impact of the book was eventually to have profound implications for the future of liberalism. Following its publication, Hayek received innumerable invitations to lecture from the United States, Britain and Europe. In the course of these tours, he came across many isolated scholars in various disciplines who had clearly seen the importance of freedom in their own areas of expertise, but had not yet appreciated the wider implications of a systematic application of its principles. He proposed a meeting of these people in order that they may come together and clarify each other's thinking.

In April 1947, 36 of them met at a mountain resort in Switzerland. Following the meeting, the "Mont Pelerin Society", named for the site of the first gathering, was formed. Some of the notable first participants were besides Hayek, Milton Friedman, Karl Popper, Ludwig von Mises, John Jewkes, George Stigler, Henry Hazlitt, Walter Eucken, Frank Knight, Leonard Read and

Wilhelm Roepke. It was perhaps the first positive sign that liberalism was indeed alive though its protagonists were so few and so spread apart. An exciting example of the application of liberal economic principles came a short time later when MPS member Ludwig Erhard in one stroke scrapped the wartime legacy of price control in Germany. Almost overnight, the German 'economic miracle' began. Sadly the Germans have strayed from this early example.

It would be unfair to ascribe the liberal revival to the members and meetings of the Mont Pelerin Society wholly, though they certainly must be acknowledged as having played a central role.

Consolidation

The 1950s and 1960s were years of consolidation, research and writing. In the USA the Foundation for Economic Education (FEE), established by Leonard Read in 1946, was now beginning to spread its message throughout the country and to some parts of Central and South America, particularly Guatemala, Venezuela and Brazil. Read fought to gain acceptance for the work of such people as Mises who had effectively been 'sent to Coventry' by the American intellectual establishment, unable to get any permanent academic appointment. The work of the people at FEE and of those it influenced would later be central to a revived libertarian movement in America. The use of the word 'libertarian' rather than liberal has become necessary as 'liberal' in America, has now almost the opposite sense to its traditional meaning. An American 'liberal' would be as Schumpeter called them 'those pink socialists'.

Within the University of Chicago, a small market oriented group led originally by Frank Knight was developing. Milton Friedman and George Stigler were later to

become famous for their work, Friedman more so with his 'monetarism'. Hayek too was at Chicago as Professor of Social and Moral Science. The spread of 'Friedmanite' economists throughout the world and the influence of their thinking in the late sixties were critical elements in a redirection of intellectual work to a free market.

In Great Britain, perhaps further down 'the road to serfdom' than any other western nation, successful farmer Antony Fisher helped establish the now prestigious Institute of Economic Affairs (IEA) in 1957. With its founder Directors Ralph Harris and Arthur Seldon (both still firmly at the reins), the IEA, against almost incalculable odds, set about a task of intellectual reconstruction. That they have been successful was testified to by Milton Friedman recently when he said that 'the young in this country are far more likely to be attracted by the free market doctrines that are so effectively presented by the Institute of Economic Affairs than they are likely to be by the standard socialist pap which still dominates university reading lists'.

In California, the Institute for Humane Studies (IHS), formed by F.A. Harper in 1961, was instrumental in forming an academic base for classical liberal values, the Austrian school of economics, independent education and so on. The IHS sponsored many of the well known liberal scholars in both the USA and overseas and provided fellowships, library facilities, publication outlets and held seminars and conferences with the aim of refining liberal (libertarian) thought. People who have worked at the IHS include Hayek, Murray Rothbard, Ludwig Lachmann, Gottfried Haberler, Arthur Shenfield, Max Hartwell and many others.

The numbers of books supporting the free market, a liberal social order and

liberal democracy increased heavily during this time. Notable were Hayek's **The Constitution of Liberty** and Friedman's **Capitalism and Freedom**.

The 1960s also saw a significant breakdown of the theories of Keynes. The 'stagflation' (inflationary recession — impossible under Keynesian rules) of the last years of the decade and the early years of the next gave a great impetus to Friedman's monetary theories. A re-evaluation of the economics of Hayek of nearly 40 years before and the other 'Austrians' also began. The stage was now ready for the next decade during which a renewed flowering of liberal ideals would once again take hold. This move would gain added strength from many young adherents alongside those who had held the 'torch' in isolation for so long. As well, many older scholars would turn their backs on the collectivist trends of the ideologies they once supported.

A decade of vigorous growth and influence

Perhaps the event which gave the greatest momentum to the surge of work in the late seventies was the award of the Nobel Prize in Economic Sciences to Professor Hayek in 1974. The news of the award was greeted with astonishment and disbelief in the established, and especially Keynesian, intellectual circles. Suddenly Hayek was no longer 'that extinct dinosaur' of a forgotten age. At Hillsdale College in Michigan that year, the Mont Pelerin Society devoted its time to the work of Hayek and his contribution to the fight for the free society.

In the USA, the small libertarian movement was experiencing solid growth. The publication and national distribution of Murray Rothbard's **For a New Liberty**, and David Friedman's **The Machinery of Freedom**, focused attention on a vigorous and quite militant group of defenders of

the free market and social libertarianism. Their defence of liberty in all areas of human conduct was impassioned and unbridled. In 1975, Harvard philosophy professor Robert Nozick won a National Book Award for his **Anarchy, State and Utopia**. His challenge to the egalitarianism of most orthodox political philosophy brought a new breath of life into a body of thinking growing ever more cloistered by Marxism. The debates his work initiated are still contributed to learned journals throughout the world.

Elsewhere in the USA, the increasing influence of economics schools in various parts of the country, notably Virginia, Chicago and UCLA has thrown out a challenge to orthodox thinking which cannot be met. A new generation of young scholars have completed work both of a theoretical and empirical nature debunking decades of economic 'macromancy'.

In Canada the Vancouver based Fraser Institute began work in 1975 with aims similar to those of the IEA. Their successes have been notable — three of their booklets becoming Canadian best sellers.

In 1976 the liberal revival was again given a tremendous boost by the award of the Nobel Prize for economics to Milton Friedman. This year was also significant for two other reasons: both the bicentenaries of the publication of Adam Smith's **The Wealth of Nations** and the American Revolution. That year, the Mont Pelerin Society held its meeting at St. Andrews in Scotland in honour of Smith.

In 1977, the Institute of Economic Affairs celebrated its 20th birthday. Arthur Seldon and Ralph Harris produced for the occasion, **Not From Benevolence ... Twenty years of economic dissent** and in it they documented the change of intellectual opinion that they at the IEA had been able to foster. In the twenty years of the IEA's existence, some 250 authors had

contributed to their fight with an enormous outpouring of research studies and books on an incredible list of topics such as rent control, local government spending, inflation, free trade, competition, monetary policy and so on. Recently, the IEA has been a sponsor of the work of the 'Virginia School' in the 'economics of politics', or the theory of public choice.

Recent developments

Over the past year, the growth of liberal thinking has continued unabated. Former US Treasury Secretary William E. Simon in his **A Time for Truth**, in the strongest terms warned Americans, particularly those in business and government, of the threats to individual liberty and to free enterprise. He urged business to rush funds 'by multimillions to the aid of liberty, in the many places where it is beleaguered'. Funds must go 'to scholars, social scientists, writers and journalists who understand the relationship between political and economic liberty and whose work will supplement and inspire and enhance the understanding and the work of others still to come'.

The Mont Pelerin Society meeting of 1978 was held in Hong Kong — perhaps the most free economy in the world. There, over 400 members and guests of the Society from around the world allocated time to reflect on 'Is the Tide Turning?' Opinions differed widely, but then that is a natural phenomenon for MPS meetings. What could be more characteristic of a liberal organization? The consensus was that, yes, the tide was turning. The optimism in some quarters was highly infectious and following the meeting probably all came away with the feeling that all the hard work of 30 years and more had been a small price to pay. Those present heard of France's 'nouveaux economistes'; the formation of the Free Market Foundation in South Africa; a

private university thriving in Guatemala; the repeal of regulatory control (the US airlines for instance) in many parts of the world; the Californian 'tax-revolt' and similar moves elsewhere; an enhancing of opportunities for private education — the list could go on. The important thing to remember is that these are practical illustrations of what can happen once the intellectual support for such changes moves into full gear.

In Australia

Australia has not been left out of the liberal revival by any means. It would be fair to say, that given the opportunity, this country could be a leader and the pace-setter for many others. Some difficult decisions will have to be made and it is time to educate all Australians in order that they may understand the benefits which will flow to them from a free market.

Some of the positive signs of a growing awareness of liberal values can be traced to a number of sources. Perhaps the first great boost came with the visit here in 1975 by Milton Friedman. The influence of the monetarist economists had been growing for a number of years and Friedman's visit focused attention on the monetary sources of inflation in a way that had not been possible previously. Inflation after Friedman became a matter of open public concern and ever since, governments have seen the dangers that lie within it and have attempted its control, though with varying degrees of success.

The following year saw the founding of the Centre for Independent Studies (CIS). From the start, the CIS has been predominantly academically based. In the early days the number of liberal scholars associated with the CIS was small. They included Lauchlan Chipman, Naomi Moldofsky, Lee Eckermann,

C.G.F. Simkin and Sudha Shenoy. The Centre at this time was conducting seminars and doing a little publishing. By the beginning of 1978 the number of scholars had almost doubled and at present those who have done work for the Centre and have indicated a willingness to do so number well over 50. The CIS is now moving into large scale publication of research and other material aimed at correcting an imbalance of ideas. Its first major book was **Wage-Price Control Myth & Reality**. Edited by Sudha Shenoy, it provided an historical and theoretical analysis of thousands of years of dismal attempts to control markets and to hold inflation through the use of price and wage controls.

For the future, the CIS plans to study issues such as rent control, compulsory agricultural marketing authorities, the housing market, the wages structure and so on. At all times emphasizing the beneficial role of a free market and individual liberty, the CIS will not be swayed from presenting its conclusions, though in many cases they will be seen as 'politically impossible' or 'administratively impractical'. The intellectual defence of a free society will not be an easy task and given the right amount of support, the CIS will play a central role in that battle.

Late in 1976, Australia was visited by Professor Hayek. This visit helped to complete the germination of thinking

begun when Friedman had been here the year before. Hayek, being more of the 'all-round' scholar, has latterly devoted most of his thinking to matters outside of economics. His thoughts on questions such as social justice, the legal framework for a free society and so on are to be found in his trilogy **Law, Legislation and Liberty**, the third volume of which was released in April this year. The CIS is this year publishing a number of the lectures delivered by Hayek in Australia under the title **Social Justice, Socialism & Democracy**, with a short biographical essay of Hayek by Roger Randerson. Other developments aiding the liberal revival in Australia have included the establishment of an Australian Foundation for Economic Education, with aims similar to its American counterpart. Also, small groups of the discussion society type have been formed in various states. A David Hume Society and an Edmund Burke Society to name two.

If the intellectual battle can indeed be won, then there is much cause for optimism. In the past people have underestimated the power of the intellectuals in social change. The one group who did perceive clearly their role, were the socialists. To the extent that they understood the power of the intellectuals, they have been very successful. It is now time to show that better ideas can prevail, and it must be done very soon.