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## The Progress in Human Geography lecture\*



# Remaking laissez-faire

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**Abstract:** ‘Only ideas can overcome ideas’, Ludwig von Mises once remarked. Exploring this contention in relation to the long and winding ascendancy of neoliberalism, the paper presents a spatialized genealogy of the free-market ideational programme. From its multiple beginnings, in a series of situated, sympathetic critiques of nineteenth-century laissez-faire, neoliberalism has always been an open-ended, plural and adaptable project. The prehistories of neoliberalism are messy and nonlinear; there was no straight-line evolution from ideas to implementation, from blueprint to ballot box, or philosophy to practice. Rather like the various state projects of neoliberalization that have followed in its wake, the ideational project of neoliberalism was clearly a *constructed* one. There was nothing spontaneous about neoliberalism; it was speculatively planned, it was opportunistically built and it has been repeatedly reconstructed.

**Key words:** genealogy, Keynesianism, neoliberalism.

### I Neoliberalism predux

This paper is an invitation to consider neoliberalization in the mirror of history. We already have the benefit of an authoritative ‘brief history’ of neoliberalism (Harvey, 2005), together with a sophisticated understanding of the ways in which the ideational project of neoliberalism was folded into (more or less coherent) programmes of socioeconomic and state transformation in the decades following the 1970s. My concern here, though, is with the period *prior* to this historic inflection point, with what might be termed the ‘prehistories’ of neoliberalism, and the largely uncharted

geographies of ‘protoneoliberalism’. The danger in foreshortened retrospectives of the neoliberal ascendancy, of course, is the inadvertent affirmation of inevitabilist succession stories, as linear and sequential accounts inevitably tend to reify *chronologies*. Dissipated efforts, diversions and deadends tend to fade from view when the supposedly inexorable outcome (the neoliberal ‘fix’) is already known. Unhiding the constitutive geographies these histories can therefore be a way of re-encountering the present. Neoliberalism, it seems, was a transnational, reactionary and messy hybrid right from the start. There was never a pristine moment

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of mountaintop clarity; it never represented a singular vision free of doubt and dispute. Instead, from its origins in the 1930s, neoliberalism signified an experimental and polycentric project aimed at the contradictory problem space between the state and the market. It represented an attempt to *conceive and construct* a market(-like) order, one that has since been perpetually *reconstructed* through practice.

Here, it is worth recalling the methodological advice of the most incisive chronicler of nineteenth-century *laissez-faire*, Karl Polanyi. In a biographical note written just before his death, in 1964, Polanyi reflected:

The development of a world of thought may be presented in two different ways: either chronologically, or in the obverse direction by following the essentials of the system back to their origins. The first, the chronological sequence may be inappropriate when the growth of thought is spread over the tortuous and discontinuous course of several decades of human affairs. In these last sixty years we have experienced a dialectic of radical breaks, unmediated contradictions and repeated returns to already discarded positions which make it difficult, if not impossible, to discern the underlying logic of advance. The other way ... is to *trace it back* from the completed pattern to the origins of separate strands. (Quoted in Polanyi-Levitt and Mendell, 1987: 9, emphasis original)

'Tracing back' the intellectual vectors and ideational crosscurrents of what would later take shape as the neoliberal 'project' need not be a mere celebration of moments of apparent premonition; neither should it be an exercise in retrospective functionalism. In fact, the zigzagging prehistories of neoliberalism serve as timely reminders of the contradictory, contingent and *constructed* nature of the neoliberal present, its produced and contextually embedded form, and its inescapable impurity. Reflections of neoliberalism in these historical mirrors are sometimes familiar, attesting to a set of enduring commitments and genetic connections. On other occasions, they are

discordant, calling attention to the jerrybuilt nature of the programme, and the various compromises and conflicts that have marked its decidedly nonlinear 'evolution'. The effect, in fact, is something like placing the bloated neoliberal hegemon of today in front of a fairground mirror: the image becomes distended, distorted and displaced. And the further we venture into the hall of mirrors, ever more kaleidoscopic are the reflections and refractions. Soon, the singular image is lost forever, even though, at every turn, that eerily disembodied voice reminds us that the mirror cannot lie.

It would be convenient, of course, if the circuitous prehistories of neoliberalism could be traced to some immaculate ideational flashpoint – like some revelation in Hayek's bathtub at the Hotel du Parc at Mont Pelerin – but the past is rarely organized in this way. There is no beeline trajectory to a foundational eureka moment. Neoliberalism has many authors, many birthplaces. Its multiple lineages intersect and interact in ways that reveal a great deal about how this 'free-market' project, from its beginnings, was a selectively transnational, somewhat plural and socially produced project – the hybrid outcome of a protracted conversation between a series of (only partly complementary) 'local' protoneoliberalisms. It was never simply *Manchesterism 2.0*, a rerun of nineteenth-century *laissez-faire*. Polanyi (1944) rightly observed, of course, that this was an experiment that could never be repeated. But neoliberalism's explicit attempt to *remake* *laissez-faire* for twentieth-century conditions remains one of its definitive features. For this reason, neoliberalism is both philosophically and historically distinctive. Neoliberalism is consequently a reactionary creed in practically all senses of the word. Reactionary, in that it feeds off, and draws energy and form from, its ideological foes and forebears. Reactionary, in that it gains traction in moments of crisis and dislocation, taking purposive shape in a manner that is therefore context-dependent in a genetic

(rather than merely contingent) fashion. Reactionary, in that it melds the inherently conservative with the insistently creative.

Neoliberalism has always been on the move. If Hayek's *Road to serfdom* (1944) might be considered the leading candidate for neoliberalism's germinal text, closer inspection immediately reveals that this only a beginning, not the end, of the creation story. 'There is nothing in the basic assumptions of liberalism to make it a stationary creed; there are no hard-and-fast rules fixed once and for all', Hayek (1944: 17) claimed; reflecting that 'nothing has done as much harm to the liberal cause as the wooden insistence on certain rough rules of thumb, above all the principle of *laissez faire*'. Constructing a flexible creed of neoliberalism would be a *creative* process, entailing the conscious production of new ideational and institutional networks, connecting islands of free-market thinking and animating common threads of emergent thought-practice. Hayek's lifetime search for a political-economic credo not only outside socialism and fascism, but also *beyond* *laissez-faire*, would carry him back and forth between the generative sites of the twentieth-century liberal revival – Vienna, London, Freiburg and Chicago. But these were difficult journeys. International travel and communication, slow and expensive at the best of times back then, had been disrupted by two world wars, and might well have been impossible without the help of a handful of eccentric corporate benefactors. The advocates of a liberal revival were the square pegs of their time, often embattled and lonely, even at home. All around them, peak institutions were invariably controlled by enemy forces, like Austromarxists, Nazis and Keynesians. For many, even secure employment proved hard to come by.

But this minoritarian, yet offensive, status was also generative: it bred a sect-like mentality, and a capacity to manage internal differences in the shadow of larger, external threats; it impelled an insistent search for intellectual amity at a distance, and the

production of new channels of communication. This small band of self-styled 'intellectual pilgrims' – true believers in the cause of free-market reconstruction – eventually found one another, in 1947, at the Swiss mountaintop location of Mont Pelerin. The organization that they founded at the Hotel du Parc, the Mont Pelerin Society (MPS), would become the pre-eminent space for calculation, exchange, and compromise for what was later characterized as a transnational 'thought collective' (Mirowski and Plehwe, 2008; cf. Feulner, 1999). The liminal existence of the often-untethered neoliberal intelligentsia may have been a constructively precarious one, but for half a century these fellow travellers could only envisage utopian, rather than real, destinations. They shared the same philosophical compass, but lost in the ideological wilderness, disagreed about which steps to take. Back at basecamp, their fringe ideas were carefully cultivated, albeit at the risk of irrelevance and ridicule. Struggling and inchoate, yet determined, it was for many years a club of losers.

With the benefit of political-economic hindsight, the Nobel Committee's paradigm-busting elevation of Hayek in 1974 looks like a portentous sign of the coming neoliberal ascendancy. But as his friend Milton Friedman recalled, the award had come out of the blue for the retired philosopher, who had become 'extremely depressed, withdrawn, and unproductive' (Friedman and Friedman, 1998: 78). Contemporary associations between Hayek and the Chicago School of Economics, the rise of which would be affirmed in the subsequent trajectory of the Prize, were not always so clear-cut: the iconoclastic philosopher had lived and worked in Chicago, but was never entirely 'at home' there, either intellectually or socially. Hayek's intellectual biographer pointedly notes the decades of 'seclusion and isolation' that preceded the Prize, during which Hayek had been 'punished and shunned' for the heterodox adventurism of *The road to serfdom* (Ebenstein, 2003b: 163). The book may have sold well, but it

was practically an act of self-immolation for Hayek-the-economist. Back in 1944, three decades prior to Hayek's glorification by the Nobel Committee, the climate was deeply inhospitable to the free-market project. Hayek's turn to popular philosophy during the second world war awkwardly coincided with the birth of positive economics, Chicago-style. Already, the 'neoliberal' project was a multilingual one, and a lot was being lost in translation, even amongst the small cult of Mont Pelerinians. The Austrianism of Hayek's underemployed mentor, Mises, was about to become a parody of itself. His old friends from Freiburg were just barely keeping the candle of liberalism smoldering under the Third Reich, fashioning their own questionable compromises along the way. And in pre-Chicago School Chicago, Hayek's closest ally had already been branded old school by the young-turk quantifiers, and was beginning his descent into suicide. In terms of the normative character of both economic theory and practice, Hayek's old rival, Keynes, was on the cusp of eponymously inheriting the earth.

*The road to serfdom* may have been a surprise bestseller, but it was Karl Polanyi's (1944) *The great transformation*, published in the same year but something of a flop, that in retrospect revealed more about the historical moment. Humanity's historic encounter with laissez-faire had reaped its devastating consequences; the fiction of the self-regulating market, foisted on the world as if it represented some kind of natural order, had been exposed in the starkly utopian form of world war and financial crisis. 'Freedom's utter frustration in fascism' was, in fact, the 'inevitable result' of nineteenth-century liberalism's antisocial vision (Polanyi, 1944: 265). The 'market mentality', Polanyi (1947) later concluded, had been rendered 'obsolete' by these historical developments. Ironically, the posthumous rediscovery of Polanyi's seminal work, more than four decades later, would be prompted by the rise of neoliberal globalism, his failings as a forecaster paling

into insignificance alongside the prescience of his historical insights. Ostensibly back from the dead, newly constructed fables of the self-sustaining market were actively remaking the world in their own image, with an even greater geographical and social reach, in the autumnal moment of Pax Americana (Silver and Arrighi, 2003).

Polanyi's own journey, also lonely in its own way, periodically intersected with those of neoliberalism's intellectual pilgrims, though he did not live long enough to witness their rise to power. In the passages that follow, we sample some of these intellectual journeys, not simply to complexify the prehistory of neoliberalism, but to call attention to some of the distinctive and dogged qualities of this dissipated, experimental and nonlinear system of ideational production. The essence of neoliberalism was not extracted, like pure mountain springwater, by Hayek and his fellow pilgrims at Mont Pelerin, only later to be blended, cut and adulterated by less-principled governmental distributors; it was a volatile cocktail from the beginning. The neoliberal project, *qua* project, did not begin life as a pristine blueprint, subsequently to be compromised and sullied in practice. Hayek's nostrums were notoriously impervious to blackboard proof, even by his own hand (see Robinson, 1972). Neoliberalism was a mix of prejudice, practice and principle from the get-go. It did not rest on a set of immutable laws, but a matrix of overlapping convictions, orientations and aversions, draped in the unifying rhetoric of market liberalism. The project was regularly self-styled as *neoliberal* from the late 1930s through the early 1950s (Friedman, 1951), after which it was prosecuted through a more euphemistic lexicon – of freedom, competition, liberty and markets. The misrepresentation and misreading of neoliberalism therefore each have long and tangled histories, reaching back more than half a century.

The liberal revival had to be planned, but it did not yield a plan. Rather, it established an institutional problem space and a zone of

ideational struggle, framed by the distinctively post-laissez-faire question of appropriate forms and fields of state intervention in the socioeconomic sphere. The absentee state may have been an enduring rhetorical trope, but the neoliberal project was from the beginning preoccupied with the necessary evils of governmental rule. What Friedman (1951: 93) once called the ‘doctrine of neoliberalism’ expressly sought to transcend the ‘naïve ideology’ of laissez faire, in favour of a ‘positive’ conception of the state as the guarantor of a competitive order.<sup>1</sup> This order could not be exhumed from the nineteenth century, since it never existed there. Neoliberalism was never retroliberalism; it had to be constructed anew. Its meandering ideational journey, on the path to power, consequently represents rather more than an historical curiosity.

## II From Vienna to London

In July 1919, a 32-year-old Karl Polanyi, gravely ill from injuries sustained during the Great War, was transferred from a hospital in Budapest to Vienna, where he would undergo a serious operation. A former cavalry officer in the Austro-Hungarian army, Polanyi had been active in socialist politics and workers’ education in Hungary before the war. He had arrived in Vienna at an extraordinarily propitious time. ‘A generation is born into history when it becomes aware of its calling’, he had written from his hospital bed a year earlier, ‘This generation has made witness to the greatest moral upheaval since the Crusades and the Reformation’ (quoted in Litván, 1990: 32). In the midst of Vienna’s experiment with municipal socialism, the slowly recovering Polanyi committed himself to the challenge of developing a positive and practical theory of the socialist economy. Sceptical, on both political and practical grounds, of the feasibility of centralized economic planning, and increasingly wary of dogmatic strains of Marxism, he spent his long convalescence contemplating alternative ways to bridge the theory and practice of

socialism. Drawing inspiration from the ‘guild socialism’ of G.D.H. Cole and Robert Owen, and from the effervescent political and intellectual life of ‘Red Vienna’ (see Lewis, 1983; Congdon, 1990; Mendell, 1990), the 1920s were for Polanyi among the happiest and most productive of his life, a time when his ‘ideas about social issues ... found passionate expression’ (Polanyi, 2000 (1925): 317).

The Vienna of the 1920s was Polanyi’s intellectual ‘apprenticeship’, the place where the lineages of *The great transformation* were first conceived (Polanyi-Levitt and Mendell, 1987). But the lessons came as much from practice as from theory. In the early 1920s, Polanyi learned the craft of newspaper journalism, later being appointed to the editorship of the influential weekly, *Der Oesterreichische Volkswirt*. And, in accordance with the fashion of the time, he hosted a regular *Privatseminar* at his home, focused on the vexing problem of ‘socialist accountancy’ (Schaffer, 2000 (1964/1966)). This ostensibly arcane, but challenging, zone of socialist practice had been a hotly disputed one for some years, not least following the blunt intervention from the finance director of the Vienna Chamber of Commerce, Handicrafts & Industry, one Ludwig von Mises. Like Polanyi, Mises was both a practical and a theoretical economist, whose 1920 paper on the alleged ‘impossibility’ of central planning and socialized pricing, ‘Economic calculation in the socialist commonwealth’, was an uncompromising and unapologetic reassertion of liberal economic reason: valuation and the efficient allocation of scarce resources require prices; effective price-setting cannot occur without markets; given its reliance on centralized planning, socialism is therefore practically unattainable, even if it were to be deemed desirable. The Chamber’s philosopher-in-residence railed against the socialist utopians that surrounded him, not least for their feeble grasp of economic principles:

Economics, as such, figures all too sparsely in the glamorous pictures painted by the

Utopians. They invariably explain how, in the cloud-cuckoo lands of their fancy, roast pigeons will in some way fly into the mouths of the comrades, but they omit to show how this will take place ... When Marxism solemnly forbids its adherents to concern themselves with economic problems, beyond the expropriation of the expropriators, it adopts no new principle, since the Utopians throughout their descriptions have also neglected all economic considerations, and concentrated attention solely upon painting lurid pictures of existing conditions and glowing pictures of that golden age which is the natural consequence of the New Dispensation. (von Mises, 1935 (1920): 88)<sup>2</sup>

Despite his reputation both as a formidable economic theorist and 'expert on money and banking', Mises was unable to secure a full-time academic position in Vienna, since 'the universities were searching for interventionists and socialists'; while he declined to work for any of the major banks because 'they refused to give assurance that my advice would be followed', even as they teetered on the brink of insolvency (von Mises, 1978: 73). But Mises' 'self-created' position at the Chamber of Commerce nevertheless afforded him some influence in economic policy debates, if not power: 'The fact that in the winter of 1918–1919 Bolshevism did not take over and that the collapse of industry and banks did not occur in 1921, but in 1931, was in large part the result of my efforts', he later immodestly disclosed (1978: 74).

Mises' own *Privatseminar*, which gathered in the evenings at his office in the Chamber of Commerce, was renowned as a bastion of classical liberalism and 'sound money' thinking in Red Vienna. The discussions, while focused on 'the problems of economics', also embraced sociology, social psychology, logic and epistemology: 'in this circle', Mises recalled, 'the Viennese culture produced one of its last blossoms' (1978: 97). The formidable economist generally gave little credit to his interlocutors, characterizing all of the Austromarxists (with the exception of Otto Bauer himself) as intellectually sub-par. But

he took seriously Polanyi's interventions on the critical question of socialist calculation – which were distinctive for their emphasis on decentralized solutions, including instrumental roles for certain *kinds* of markets – later writing a specific rebuke to Polanyi's guild-socialist strategy (Rosner, 1990).<sup>3</sup> Even though practical solutions to the problem of socialist calculation were to remain elusive, the tide of history seemed to be on the side of collectivism and planning. Mises' *Privatseminar* may have fostered an assertive intellectual style, but this was tempered by a pervasive siege mentality. His strand of 'intransigent liberalism', Hayek (1992c: 27) later recalled, was not only 'unique', it also left him 'almost completely isolated'.

Mises, who was remembered even by friends as temperamental, acerbic and sometimes 'personally obnoxious', would chair the meetings from behind his desk, having granted invitations to only 'a select few of the most gifted' (von Mises, 1978: 97). One of those who had initially failed to make the grade was a newly recruited economist from Mises' own office, who later reflected that his exclusion had more to do with his intellectual immaturity than his mildly Fabian leanings (Ebenstein, 2003a). The young Hayek, who would finally be granted admission to the Mises seminar in 1924, filled the intervening years by convening his own monthly discussion group, *Geistkreis* – translated as 'circle or spirits', or more colloquially, 'soul brothers' – which brought together a precociously talented group of young economists and philosophers, most of whom would subsequently relocate to the USA (Craver, 1986). *Geistkreis* celebrated intellectual freedom as much as economic freedom, straying far and wide into the arts and culture, and inviting participants to select topics deliberately outside their specialist interests. And there may have been a hint of deliberate irony in the constitution of the 'soul brothers' seminar, since women were formally excluded.

Under the influence of Mises, Hayek would later renounce socialism, his mentor's sustained attack on socialist calculation and central planning proving decisive.<sup>4</sup> But this was not simply a matter of succumbing to Mises' emphatic arguments, Hayek would have 'a ringside seat for the crushing monetary disaster of the era [together with] the ear of one of its most astute economic analysts' (Hoover, 2003: 72). These experiences may have been formative, but they were certainly not comfortable. The 'conditions of the 1920s', Hayek later recalled, left him feeling 'somewhat estranged' from Austria (Hayek, 1992c (1963); 1994b: 98). Mises, too, had become intellectually and politically alienated. He regarded himself, somewhat conceitedly, as the 'economic conscience' of Austria, yet '[o]nly a few helped me and all political parties distrusted me' (von Mises, 1978: 75). Hayek's increasingly close identification with Mises, both clearly 'outsider[s] in this context', no doubt contributed to his own growing 'sense of alienation from Austria's political culture' (Hoover, 2003: 74). In this reddest of cities, Mises and Hayek were 'misfits,' Polanyi-Levitt and Mendell (1989: 22) observed, 'the remnants of old Vienna's privileged urban elites whose security had been shattered, whose savings had been decimated by wartime and postwar inflation, and whose taxes were financing the pioneering housing programs of Vienna's socialist municipal administration'.

If Mises' and Hayek's convictions were bolstered by their shared intellectual estrangement from the Viennese political culture of the time, Polanyi, in marked contrast, felt much more at home:

Vienna achieved one of the most spectacular cultural triumphs of Western history ... 1918 initiated an ... unexampled moral and intellectual rise in the condition of a highly developed industrial working class which, protected by the Vienna system, withstood the degrading effects of grave economic dislocation and achieved a level never surpassed by the masses of the people in any industrial society. (Polanyi, 1944: 288)

In the historical arc defined by the great transformation, Polanyi positioned these real-world innovations in municipal socialism as 'paradigms and portents of a democratic socialism already evolving' (Congdon, 1990: 81), the 'experiment of Vienna trying to transcend [the market] economy altogether' (Polanyi, 1944: 287). Likewise, Polanyi's arguments for decentralized forms of 'functional socialism', which were the flipside of his reservations concerning centralized planning, were very much 'rooted in the reality of socialist Vienna' (Mendell, 1990: 75). For Mises and Hayek, on the other hand, these developments were localized aberrations or, worse still, premonitions of 'council-house bolshevism' (Lewis, 1983).<sup>5</sup>

Mises and Hayek each made study and lecture tours of the USA during the 1920s, the latter returning with the conviction that new American techniques of monitoring and quantifying economic phenomena should be emulated in Austria. A staunch opponent of empiricism, Mises was at first sceptical, but was eventually persuaded. He later assisted in the establishment, in 1926, of the Austrian Institute for Business Cycle Research, with Hayek installed as the founding director. This work would propel Hayek to the University of Vienna in 1929, and then to the Tooke Chair in Economics and Statistics at the London School of Economics in 1931, the same year that Britain left the Gold Standard. At the LSE, Hayek continued to teach his 'Austrian' theories of the business cycle, arguing along with Lionel Robbins that the causes of the Great Depression lay with the credit expansion (and 'forced savings') of the preceding period, the economy's 'natural' adjustment subsequently being impeded by price-fixing and wage controls. The slump was, in effect, 'nature's cure' (Gamble, 1996: 167). This, however, was a minority position, to put it mildly. The Keynesian revolution was already taking shape. Although *The general theory* (Keynes, 1935) was directly addressed to the economics profession, Hayek and Robbins

between them only qualified for a footnote (Galbraith, 1971). The preceding debate between Keynes and Hayek around the causes of the Depression, for all its later historical resonance, had occurred largely at cross purposes. Their private correspondence – while never less than polite – became mired in mutual incomprehension. Keynes described the exchange to Sraffa in the following way: ‘What is the next move? I feel that the abyss yawns – and so do I’ (quoted in Ebenstein, 2003a: 71).<sup>6</sup>

By the end of the 1930s, Hayek had apparently lost everyone’s attention. His support, even within the LSE, had dwindled (Hicks, 1967: 205). He was continuing to elaborate his own position, including a further foray into the socialist calculation debate, ostensibly triggered by the flirtation, amongst left intellectuals in Britain, with Soviet economics. (In this regard, Hayek’s (1935: 30) intuition was that the Viennese debates and the ‘experiments made in Austria’ would have ‘considerable force in the intellectual history of our time’.) An outsider again, his *Collectivist economic planning*, which also singled out Polanyi’s earlier contribution in the Vienna debate, was published in the same year as the Webbs’ *Soviet communism: a new civilization?* (Webb and Webb, 1935).<sup>7</sup> Again, the intellectual tides were moving in the opposite direction. More worrying for Hayek, these radical forms of socialist revisionism were not only circulating amongst elites, they were also filtering down to the lumpen classes. Under the influence of Barbara Wootton, adult education classes across the country were adopting the ‘tutorial version of history,’ emphasizing the ‘deterioration of the working classes under capitalism’ (Caldwell, 2004: 215).

Quite coincidentally, and no doubt affirming Hayek’s fears, the Workers’ Education Association (WEA) was about to recruit a new lecturer, to teach night-school classes on English social and economic history in Kent and Sussex. The impressive letters of

recommendation, from G.D.H. Cole and R.H. Tawney, explained that while the subject was quite new to him, Karl Polanyi could be relied upon to rise to the challenge. Confronted by the rise of Austrian fascism, Polanyi had reluctantly left Vienna in 1933, living a hand-to-mouth existence in Britain for several years before securing the WEA appointment. Both the rich historical subject matter and the immediate social context were to have a huge effect on Polanyi, since he could not help but contrast ‘the inferior status of the English working class in the richest country in Europe with the social and cultural achievements of the workers of socialist Red Vienna’ (Polanyi-Levitt, 2002: 2; Mendell, 1994). Experiencing at first hand the ‘trauma’ of the British class system, Polanyi’s wife recalled, ‘He was teaching and he was learning’ (Duczynska Polanyi, 1977 (1970): xvi). Polanyi’s voluminous lecture notes formed the working draft of *The great transformation*.

The book’s low-profile publication, in 1944, coincided with the Bretton Woods conference, which effectively institutionalized the Keynesian order. The negotiators at the conference, not least Keynes himself, were preoccupied with many of the same issues that animated Polanyi’s treatise – the causes of the Great Depression and the destabilizing consequences of liberalized regimes of international finance (Ruggie, 1982; Helleiner, 2000). The conference set in place an historical alternative to the Gold Standard – the ‘mysterious institution’ at the centre of Polanyi’s critique of laissez-faire capitalism (1944: 9–10). It was the Gold Standard that, in the final third of the nineteenth century and the first third of the next, had simultaneously normalized and naturalized an international political-economic order, based on the productive fiction of the self-regulating market; it had effectively subjugated national and local economies, while operationalizing the ultimately destructive logic of *haute finance*. Keynes was ‘openly hostile to the restoration

of capital mobility', following the experience of the interwar years, arguably his single most significant negotiating success at the Bretton Woods meetings being that the proposed IMF should be 'passive' with respect to the policies of member countries (Williamson, 1985: 147–48). If *The great transformation* was, in the final analysis, an optimistic book, in that its author's conclusion was that the fateful mistakes of the past would surely not be repeated, then some of this optimism was perhaps validated in the Bretton Woods settlement (Bienefeld, 1991), an institutional re-embedding of international economic relations. Recognizing the historical drift of these developments, Polanyi (1944: 142) believed that, 'In retrospect our age will be credited with having seen the end of the self-regulating market'. Capital controls and restrictions on currency convertibility would allow countries to balance the objectives of economic development with some degree of 'co-operation between nations', together with a measure of 'liberty to organize national life at will' (Polanyi, 1944: 254). But when Keynes boarded the ship on the way to Bretton Woods, he had a different book in his briefcase – *The road to serfdom*.

### III Between Chicago and Mont Pelerin

Hayek had grown tired of the debates around economics during the 1930s, which in the eyes of most he had conspicuously 'lost'. During the wartime bombing of London, Keynes arranged for him to relocate to Cambridge, 'a generous gesture [since] Keynes was the leading economist of his time, and Hayek, his rather obscure critic' (Yergin and Stanislaw, 2002: xiv). While most of the economics profession, including Lionel Robbins, was busily engaged in war planning (Kresge, 1994; Tribe, 2008), Hayek had different plans. Volunteering for fire duty, he spent his evenings sitting on the roof of Peterhouse College looking out for German bombers, while contemplating the manner in which the rise of Nazism had

been preceded by developments now 'equally familiar in America and England ... increasing veneration for the state, the fatalist acceptance of "inevitable trends", the enthusiasm for "organization" of everything' (2005 (1945): 39). *The road to serfdom* had been conceived in such a way as to maximize its contemporary relevance, in the closing months of the second world war.<sup>8</sup> Had it not been for wartime paper rationing, it would almost certainly have become a bestseller in Britain. It found a voracious audience in the USA, however, turning Hayek into something approaching a 'celebrity' (Blundell, 2005). *Reader's Digest* published a synopsis of the book in April 1945 and speaking tours of the USA beckoned.

Essentially a work of moral and political critique, *Serfdom* asserted that socialism and central planning represented but the first steps on an inexorable path to tyranny and totalitarianism. It had been motivated by Hayek's visceral sense of apparently 'twice living through the same period – or at least twice watching the same evolution of ideas' (1944: 1) – the socialist ascendancy in Austria after the first world war, then its British variant, leading up to the second world war. Recognizing the impossibility of going 'back to the reality of the nineteenth century', Hayek (1944: 240) implored his readers, instead, to seize any opportunity to 'realize its ideals' – if the 'first attempt to create a world of free men ... failed, we must try again'.

It is important not to confuse opposition to ... planning with a dogmatic *laissez-faire* attitude. The liberal argument does not advocate leaving things just as they are; it favours making the best possible use of the forces of competition as a means of coordinating human efforts. It is based on the conviction that, where effective competition can be created, it is a better way of guiding individual efforts than any other. It emphasizes that in order to make competition work beneficially a carefully thought-out legal framework is required ... [However there is no] 'middle way' between competition and central direction ... Planning

and competition can be combined only by planning *for* competition, not by planning *against* competition. The planning against which all our criticism is directed is solely the planning against competition. (Hayek, 2005 (1945): 45–46)

Perhaps surprisingly, Keynes was to write of his ‘deeply moved agreement’ with large parts of the book, while demurring on the question of Hayek’s dismissal of both the feasibility and desirability of ‘middle ways’. Keynes found the critique of centralized planning overdrawn, arguing that by alternately invoking the magic of markets and the austere power of the Rule of Law, Hayek had failed to specify ‘where to draw the line’ in terms of the appropriate role and form of the state: ‘You agree that the line has to be drawn somewhere, and that the logical extreme is not possible. But you give us no guidance whatever as to where to draw it’ (Keynes (1944), quoted in Skidelsky, 2005: 723).

Even if these questions were not adequately addressed in *Serfdom*, they had been on Hayek’s mind for some years, since back in the 1930s he and Robbins had been concerned with appropriate conceptions of planning, lest the word itself be appropriated by socialists (Caldwell, 2004: 238–39). In a perverse affirmation of Polanyi’s (1944: 141) now-famous aphorism that ‘*Laissez-faire* was planned; planning was not’, Hayek had, since before the war, been contemplating ways to rejuvenate the liberal project. *Serfdom* had provided the answer in at least one respect: it opened up access to organizational and financial resources in the USA that would prove critical for the revivalist effort. A member of the audience in the Detroit stop on Hayek’s 1945 book tour was one Harold Luhnow, a strident business conservative and president of the Kansas-based Volker Fund. Luhnow sought to engage Hayek in the task of producing a distinctly American version *The road to serfdom*.<sup>9</sup> Even though the plan was ultimately unfulfilled, it triggered a sequence of events that would

be decisive both in the development of the Chicago School of Economics and in the establishment of what has since been styled as the ‘neoliberal thought collective’, the Mont Pelerin Society (Hoover, 2003; Van Horn and Mirowski, 2008). If Hayek had originally moved to London ‘to fight Keynes’ (Hayek, 1994b: 77), largely on the terrain of economic theory, he would eventually have to leave London, and shift tactics, to finish the job.

Hayek had always loved the Alps, and it was a fortuitous combination of American funding and Swiss organization that enabled him to bring together a hand-picked group of prominent liberal thinkers for an exploratory meeting at the resort of Mont Pelerin sur Vevey in 1947. In his welcoming address to the group, Hayek (1992d (1947): 238, 240) emphasized the need to ‘reconstruct a liberal philosophy’ for the circumstances of the age, seeking to embolden the members of the fledgling network by insisting that ‘it is not sufficient [to have] “sound views”. The old liberal who adheres to a traditional creed *merely* out of tradition ... is not much use for our purpose. What we need are people who have faced the arguments from the other side’. The Mont Pelerinians’ ‘great intellectual project’ would involve both ‘purging traditional theory of certain accidental accretions’, while confronting some of the intractable problems that ‘over-simplified liberalism has shirked’. This called for an explicit engagement with real-world problems, from third-world development to tax and trade policy, forging critical alternatives to Keynesian orthodoxies. This process was a geographically situated one, the evolving ideational project of neoliberalism gaining traction, and creative momentum, from the uneven landscape of the ‘collectivist consensus’. Appropriately, there was a special place in this project for those with first-hand experiences of the subjugation of liberty:

[T]he farther one moves to the West, to the countries where liberal institutions are still comparatively firm, and people professing

liberal convictions still comparatively numerous, the less are these people prepared really to re-examine their own convictions and the more they are inclined to compromise, and to take the accidental historical form of a liberal society which they have known as the ultimate standard. I found on the other hand that in those countries which either had directly experienced a totalitarian regime, or had closely approached it, a few men from this experience had gained a clearer conception of the conditions and value of a free society. (Hayek, 1992d (1947): 238)

Avid readers of the *Chicago Daily Tribune* might have noticed a reference to the ‘secret talks’ convened by Dr Hayek, inadvertently promoted to ‘Winston Churchill’s advisor on economic matters’, in the back of the paper, between the ads for home freezers and expandable watch bands, but they were also informed that, for now, the search for a new ‘philosophy of freedom’ would be a private enterprise (Noderer, 1947: 25). For Hayek, the task for what became the Mont Pelerin Society was not compatible with anything other than an invitation-only ‘private organization’. Such ‘contacts beyond national borders’ were inherently vulnerable to monopolization by those ‘who were in one way or another tied up in the existing governmental or political machinery’, and could therefore be expected to ‘serve dominating ideologies’ (Hayek, 1992d (1947): 239–40). Moreover, the new Society’s commitment to a long-run *war of position* in the ‘battle of ideas’ was hardly compatible with the issue of frequent press releases. Privatized, elite deliberation was therefore immediately established as the *modus operandi*.

Inadvertently channelling a distorted reading of Polanyi – whose concern had been to deconstruct the ‘stark utopia’ of the unfettered market, and the wake of institutional and social reform that had been enacted in its chimerical image (Polanyi, 1944: 3) – Hayek insisted, in a paper circulated to MPS members just after their first meeting, that liberal intellectuals needed

to *regain* the courage of their utopian convictions. Socialism, he insisted, was essentially a ‘construction of theorists’, which began life as an elite intellectual project before being sold to the working classes on the way to becoming ‘the governing force of politics’ (Hayek, 1949: 417). It was *deliberative* intellectual and unapologetically utopian projects, like Fabianism, that had set the stage for the subsequent establishment of socialism as a governing programme. Achieving dominance among the active intelligentsia was therefore an initial and necessary stage in the process of hegemonic succession: foreshadowing contemporary conceptions of neoliberalism’s *pensée unique* (Ramonet, 1998), Hayek characterized the consequences of socialist utopianism in terms of an effective monopolization of the political agenda, in which ‘actual developments in society ... were determined, not by a battle of conflicting ideals, but by the contrast between an existing state of affairs and that one ideal of a possible future society which the socialists alone held up before the public’ (1949: 428). In his estimation, Germany had reached this hegemonic tipping point by the late nineteenth century; England and France together arrived around the time of the first world war; and the USA became functionally socialist by the end of the second world war. It was in this context that, ‘there seemed to exist only one direction in which we could move’, toward an increasingly planned and governmentalized society, ‘and the only question seemed to be how far the movement should proceed’ (Hayek, 1949: 429).

The ideational climate surrounding the early MPS meetings, according to the Society’s official historian, was one in which ‘socialist interventionist views were in the ascendant’, its founding members being ‘drawn together by a common sense of crisis’ (Hartwell, 1995: xii; see also Friedman, 1951; Nash, 1976). The founders’ sense was that the clarification of the basic principles of a self-consciously reconstructed liberalism

ought logically to begin with the collective effort of a small group ‘which shared the same basic philosophy’ (Hayek, 1994a: 133) – a sort of transnational version of Mises–Hayek *Privatseminars* of the 1920s – after which there would be important tasks for sundry intermediaries, translators and ‘secondhand dealers in ideas’ in the transformation of the ‘liberal Utopia’ into a programme of ‘truly liberal radicalism which does not spare the susceptibilities of the mighty’ (Hayek, 1949: 417, 432). This conception stretches beyond the ideational task of (neo)liberal reconstruction, to embrace the institutional challenge of ‘constructing and deploying elaborate social machinery designed to collect, create, debate, disseminate and mobilize neoliberal ideas’ (Mirowski and Plehwe, 2008: 13).<sup>10</sup>

Although they would choose, as a group, to focus on questions somewhat ‘upstream’ of actual policy advocacy, the Mont Pelerinians would hardly be reticent about seizing state power, when opportunities presented themselves. In fact, members of this highly selective free-market club would go on to run three countries (West Germany, Italy and the Czech Republic), while occupying ministerial-level positions in numerous others (including Chile, New Zealand, the UK and the USA). Around this core group was an extended penumbra of intermediaries, disciples and translators – not least among which were the free-market think tanks – whose task was to bridge between Mont Pelerin principles and the messy challenges of governance. This apparatus took 30 years to construct, but Hayek had been actively thinking in these terms since at least the mid-1940s (Hayek, 1949; Blundell, 2005).

For all their shared convictions, in the beginning the Mont Pelerinians were also in some respects an heterogeneous group. One contingent was based loosely around Paris, which had convened the ‘Colloque Lippmann’ in 1938,<sup>11</sup> widely regarded as a precursor to the MPS, where it has been claimed the term *neoliberalism* was originally

coined (Lemke, 2001; Mirowski and Plehwe, 2008). There were the Austrians – together with an Austrian diaspora – now mostly based in the USA, whose allegiance was to Mises. (Most, in fact, were ‘graduates’ of his formative *Privatseminar*.) The British group, with affiliations to Robbins and the LSE or the Manchester School, included Karl Polanyi’s brother, Michael, whose increasingly conservative leanings contributed to the siblings’ intellectual estrangement (Nagy, 1994). Then there was the Chicago party, including Milton Friedman, George Stigler, Frank H. Knight and Aaron Director, which in the words of the MPS historian, Ronald Hartwell (1995: 19), was ‘perhaps the most powerful and certainly in the long run the most influential’. And while there were also individual representatives from Italy, Switzerland, Belgium, Norway, Denmark and Sweden, the largest group – ‘and in many ways the most interesting one’ (Hartwell, 1995: 19) – came from Germany. Most conspicuous here was the Freiburg party, led by Walter Eucken, which had precariously maintained its liberal allegiances under the period of the Nazi ascendancy and through the War.<sup>12</sup> The most prominent member of the displaced Freiburg school, Wilhelm Röpke, then based in Geneva, was later anointed by Hayek as the most significant figure in ‘the neo-liberal movement’ in the German-speaking world, ‘at least beyond the narrow circle of experts’ (Hayek, 1967: 200).<sup>13</sup>

The discussions at Mont Pelerin were, by all accounts, wide-ranging, constructive and mostly convivial. But while there was a consensus on first principles, and on the prioritization of the most pressing challenges such as the German reconstruction, Hayek’s hope for some kind of programmatic statement on economic policy remained unfulfilled.<sup>14</sup> The grouping was meaningfully *neoliberal* in the sense of the participants’ broadly shared understanding that a simple ‘restoration’ of nineteenth-century classical liberalism was not appropriate for the times,

politically, economically or socially.<sup>15</sup> However, demarcating a proper role for the state, beyond its minimalist rule-of-law function, proved beyond the reach of the meeting. Some felt that government had a role in the provision of public goods, others demurred. There was a shared recognition that the maintenance of a competitive market system required certain state powers, though there was a disagreement about how these should be restrained. Inescapably, though, the restoration and maintenance of market rule would call for *some form* of state engagement. Flights of liberal market rhetoric aside, the problem space staked out by the MPS was focused on the restraint *and retasking* of the state. The challenge was to determine a set of tightly constrained, yet positive, functions for the state, as the foundation for a *designed* market order (Chamberlain, 1944; Friedman, 1951). Hartwell's account, based on notes from and recollections of the meeting, conveys a clear sense of this:

Opinions varied, from those who believed that the government had the job of stabilizing the economy by fiscal measures to those who argued that the unresolved liberal problem was, as Robbins said, 'to discover automatic stabilizers which will work for the system as a whole'. Friedman saw the need for systems that are 'automatically active in response to stimuli'. But, asked Hayek, how can monetary policy be automatic, and outside the range of politics?' 'Can we agree,' George Stigler asked, 'that the first step [for monetary stability] should be to bring all money-making institutions under the control of the state?' They could not agree. It was the same for proposals to solve the problems of mass unemployment, monopolies, and poverty. Even the thought of industrial peace frightened Machlup [a displaced member of the Vienna school, based in the United States]: 'Industrial peace is something we should be afraid of, for it can only be bought at the cost of further distortion of the wage structure.' 'Unemployment,' declared Maurice Allais [of the Parisian delegation], 'is inevitable in the free economy without controls'. (Hartwell, 1995: 36–37)

The founding statement of the MPS, sweeping and rhetorical in many respects, was appropriately circumspect on this enduring point of tension. Drafted by Robbins, it described the MPS as a group of 'like minded persons', jointly motivated by the 'crisis of our times'; but its consensus on the 'constant menace from the development of current tendencies in policy' was unevenly matched with a rather cowardly commitment to 'further study' on questions including ... the 'redefinition of the functions of the state so as to distinguish more clearly between the totalitarian and the liberal order', on '[m]ethods of reestablishing the rule of law' that would be resistant to 'predatory power' and the 'possibility of establishing minimum standards by means not inimical to initiative and the functioning of the market' (Mont Pelerin Society (1947), quoted in Hartwell, 1995: 41–42).<sup>16</sup> Beyond the minimalist conception of the 'night-watchman state', the challenge was to re-engineer the state around the ideal of a market order.

Hayek was later forced to mediate between those factions within the MPS membership wanting to push for agreement on a specific policy agenda (led by Karl Brandt at Stanford and Hunold at Geneva) and those who sought to retain a more academic orientation (led by the LSE–Chicago pairing of Robbins and Director). While Hayek, so often the mediator, characteristically professed that his sympathies lay somewhere between these positions, the outcome was closer to the Robbins–Director vision, the work of policy development later being taken up, from the mid-1950s onward, by an extensive network of MPS-aligned think tanks (Cockett, 1995; Miroswski and Plehwe, 2008). In the shorter term, the imperative was to construct the network, and to continue to hammer out shared principles. Beyond that, the MPS would define a zone of debate, not a site for the production of prescriptive strategies.<sup>17</sup> The debates at Mont Pelerin, which have sometimes been 'stormy'

(John Davenport, quoted in Friedman and Friedman, 1998: 160), were never more disputatious than in relation to the question of 'what the state does with the economy and with what results' (Hartwell, 1995: 227).

The Mont Pelerinians shared a visceral distaste for 'current policy', but were divided over the character of any positive neoliberal programme. That they were talking at all may have been more a function of their shared sense of exclusion than it was a reflection of imminent consensus on the path forward. The MPS's 'long range' approach might be considered visionary but, in the shorter term, it also reflected the somewhat inchoate character of the group. Hayek (1967) would later identify the three principal bases of the liberal reconstruction as Vienna, London and Chicago. While there were threads of connection between these embryonic nodes – not least through the vectors of Austrian economics and Hayek's personal peripateticism – these were, in important respects, in an early and somewhat fragile state of development in the late 1940s. The inaugural MPS meeting, for example, was the first time that Milton Friedman had set foot outside the USA. And, for some time, Hayek had been focused on the urgent need for 're-education' efforts following the Allied victory, involving the selective rehabilitation of selected members of the German intellectual elite: 'If these men are to be again made active members of the community of Western civilisation, they will soon have to be given an opportunity for exchanging opinions, for obtaining books and periodicals, and even for travel, which will for long be impossible for most Germans' (1992a (1945): 232). Echoing these sentiments, the inaugural MPS meeting was Michael Polanyi's 'first glimpse of the Continent after these disastrous years', but also a chance better to appreciate 'an important section of American opinion' (quoted in Cockett, 1995: 115).

The epicentre of this important section of American opinion was Chicago. Hayek had a long-established relationship with Henry

Simons at Chicago, author of a 1934 pamphlet, *A positive program for laissez-faire* (see Simons, 1948), which for a while was regarded as a founding tract of neoliberalism (Friedman, 1951), even though the next Chicago School would later disown it. Simons (1948: 3) had contended, contra the upstart practitioners of the Keynesian 'new economics', that laissez-faire was not a 'do-nothing policy', but in fact necessitated a 'positive' role for the state, in maintaining competitive conditions, controlling currencies, protecting property rights, curbing monopoly power and (even) maintaining social welfare (see Friedman, 1951; Stigler, 1988; de Long, 1990). Simons, an economist by trade who had decamped (apparently, with the encouragement of his former colleagues) to the Law School at the University of Chicago, had been the principal interlocutor between Hayek and the Volker Fund in the protracted machinations around the 'American Road' project (Van Horn and Mirowski, 2008). Simons had characteristically practiced a philosophical form of economic discourse, in many ways complementary to the style developed by Hayek.<sup>18</sup> Somewhat sceptical of Simons, the economics department at Chicago remained lukewarm about the Volker initiative, the frustrations of which allegedly contributed to Simons' decision to take his own life, in June 1946. Hayek (1994a: 144) described this moment as a 'catastrophe', one that was to find an echo in his own failure to secure a tenure home in the economics department a few years later.<sup>19</sup> Instead, Hayek was appointed to a position with the Committee on Social Thought at Chicago, lubricated by Volker money,<sup>20</sup> where he would deepen his alliances with fellow MPS stalwarts such as Aaron Director in the Law School, and Frank Knight, George Stigler and Milton Friedman in economics. The rising generation of econometricians at Chicago, however, had no interest in Hayek, a sentiment that was thoroughly reciprocated – Hayek arrived in Chicago feeling 'stale as an economist', later

recalling that he ‘never sympathized’ with the quantifiers, who considered him ‘old-fashioned’ (Hayek, 1994a: 126; Ebenstein, 2003a: 175).<sup>21</sup>

In fact, the Chicago School proper took shape as a recognizable ‘project’ in the early 1950s (Stigler, 1988). Accurately capturing the character and position of the Chicago School has proved to be surprisingly difficult, not least because its own members have tended to disparage such efforts as ‘slovenly stereotyp[ing]’ (Stigler, 1962). With growing intensity of purpose, and through increasingly sophisticated methods, the Chicago School had been fighting a rearguard action against the Keynesian orthodoxy since the 1930s (Reder, 1982). By the 1950s, there was an unambiguous sense of the Chicago School position, at least on the outside. Bronfenbrenner (1962: 72), for example, recalled a visit to the institutionalist bastion of Wisconsin,<sup>22</sup> when it quickly became clear to him that, ‘On the banks of Lake Mendota’, Chicago economics signified ‘Pangloss plus Gradgrind, with touches of Peachum, Torquemada, and the Marquis de Sade thrown in as “insulter’s surplus”’. Laurence Miller’s more charitable characterization of Chicago economics – while it still did not entirely satisfy Stigler – may have stood the test of time better than most. In contrast both to the earlier Chicago tradition, personified by Simons, and to the economics profession in general, the modern Chicagoan would stake out a particularly uncompromising, anti-statist stance, distinguished by

the polar position that he occupies among economists as an advocate of an individualistic market economy; the emphasis that he puts on the usefulness and relevance of neo-classical economic theory; the way in which he equates the actual and the ideal market; the way in which he sees and applies economics in and to every nook and cranny of life; and the emphasis that he puts on hypothesis-testing as a neglected element in the development of positive economics ... A Chicagoan opposes occupational restrictions, price controls, and public transfers in kind such

as public housing as a matter of course. In so doing, he automatically places the burden of proof on the person who would interfere with individual decision-making within the market. A Chicagoan, furthermore, looks continuously for new ways to introduce the market system of rewards and penalties. (Miller, 1962: 65, 66)

Revisionist histories of the Chicago School tradition tend to exaggerate the epistemological integrity of this Midwestern variant of neoclassical theory and positive methods (after Friedman, 1953). In the process, the normative foundations of the programme are often underestimated, along with the institutional, financial and symbolic contributions of key players located *outside* the economics department, such as Simons, Director, Hayek and the Volker Fund (Van Horn and Mirowski, 2008). Likewise, Simons’ explorations of the foundations for a ‘political policy of *laissez-faire*’ tend to be airbrushed from, or positioned prior to, the historiography of the Chicago School proper, in which Simons is portrayed as a rather antiquated nonconformist, or pejoratively branded an ‘interventionist’ (see Miller, 1962; Reder, 1982; Kitch, 1983; Stigler, 1988; Barro, 1995; Formaini, 2002a; 2002b).<sup>23</sup> It is true that Simons was prepared to embrace now-heretical practices such as redistributive taxation, though it may have been his diatribes against private monopolies – with which the Chicago School later made its peace – that were the reason for his post-humous ostracization. Simons’ position was consistent with the ‘Old Chicago’ tradition of Hayek and Knight – ‘that a government committed to *laissez-faire* should lay down the rules of the economic game so as to encourage the development of a competitive instead of a monopolistic market economy’ (de Long, 1990: 607; see also Bronfenbrenner, 1962). This emphasis on the appropriate institutional *preconditions* for a competitive economy also accords with central strands of early MPS thinking (Friedman, 1951; Van Horn, 2008).

The postwar Chicago School, in contrast, placed the burden of proof on advocates of intervention, applying neoliberalism's 'market test' in an unstinting manner, while portraying private monopoly as much the lesser evil. In effect, it would come to represent 'a theory of how to re-engineer the state in order to guarantee the success of the market and its most important participants, modern corporations' (Van Horn and Mirowski, 2008: 28). If the Old Chicago School was sceptical of government intervention, its successor was opposed – in a defining and doctrinaire fashion – to statist solutions. Under the influence of the increasingly antistatist Friedman, Chicago would become the centre of 'the first recognized counterrevolution against Keynesianism' (Formaini, 2002b: 2). It provided a home for the 'small minority of economists who did not succumb to the Keynesian revolution' (Friedman and Friedman, 1998: 41). From the Chicago School came the attack on the Phillips curve, a central component of the Keynesian belief system, and the alterative conception of the 'natural' rate of unemployment.<sup>24</sup> The modern Chicago tradition was particularly associated with the methodology of positive economics, which emphasized predictive power and parsimonious reasoning (Friedman, 1953). Later came positive economic theory, in the form of monetarism, a frontal challenge to Keynesian demand management (Gordon, 1974; Palley, 2005).<sup>25</sup>

Despite some significant affinities, postwar Chicago-School economics was never synonymous with a Hayekian worldview. The latter exhibits closer connections with the law and economics tradition, another Chicago product (Kitch, 1983; Van Horn, 2008). The broader church of the MPS embraced all these strands, and more. Reder explained the relationship between the Chicago School and the Mont Pelerinians by way of a graphical metaphor:

[There are] two overlapping circles:  
one ... labeled 'Chicago-style economists'

and the other 'Friends and Members of the Mt. Pelerin Society.' The small overlap of the two contains some of the most prominent and influential members of either group whose particular ideas are quite distinct from those in the non-overlapping portions of either circle. (Reder, 1982: 32)

The challenge was to manage creatively the tensions within the overlapping zone of the MPS's venn diagram, a task to which Hayek conscientiously applied himself. The liberal revival proved to be a sustainable one, in large part, because symbiotic relationships were constructed between these various constituent parts, all of which retained some intellectual autonomy. Yet so closely intertwined were early developments in the Chicago School and the MPS – both intellectually and organizationally – that Van Horn and Mirowski (2008) have been moved to characterize them as 'dual startups'. Chicago-school economics was politicized from the outset; just as, from the beginning, the Mont Pelerin Society's conception of the market economy was, in its own way, 'instituted'.

#### **IV To Freiburg, and back**

Hayek spent the 1950s in Chicago, revelling in the intellectual environment, but never quite feeling 'at home' (1994a: 131). Despite arriving in Chicago as something of an iconoclastic celebrity, Hayek 'never broke through to the popular consciousness' in the USA (Ebenstein, 2003a: 217). For some time, his dream had been to return to Vienna, establishing an institute for advanced studies funded by the Ford Foundation, but the plan did not come to fruition. A chair at Freiburg proved an attractive second choice, not least because the position promised greater financial security for Hayek's impending retirement. In 1962, he had 'once again, to become an economist' (Hayek, 1994a: 131). Hayek was also re-establishing his intellectual coordinates in other ways. Once part of the Austrian Empire, Freiburg was culturally familiar, and Hayek relished his fortifying

walks in the Black Forest. Freiburg was also the spiritual home of Ordoliberalism, a German variant of neoliberalism that had been part of Hayek's intellectual and political world since the 1920s.<sup>26</sup> Leading members of the Ordo group – notably Wilhelm Röpke and Walter Eucken – had long been close associates of Hayek. And in a more metaphorical sense, Freiburg felt 'something like coming home', since it was more or less equidistant between Vienna and London, the two places that, he recalled, had most 'shaped me intellectually' (Hayek, 1967: 251). However, by the time he returned to Freiburg, Hayek was 'largely forgotten in continental Europe' (Ebenstein, 2003b: 217).

Hayek was returning to a very different Europe. The West German 'economic miracle' had for more than a decade been delivering unprecedented prosperity, under the watchful eye of Hayek's fellow Mont Pelerinian, Ludwig Erhard, who had been the Minister of Economic Affairs since the establishment of the new republic in 1949. Erhard had come to the attention of the US military command in the chaotic years of the postwar occupation, where he was appointed to run the economics directorate of *Bizonia*, the joint administrative zone of the British and American forces. The demanding brief, at a time when at least half of all economic activity was occurring outside the formal sphere and the *de facto* currency was Lucky Strike cigarettes, was to design a new monetary regime. A committed Ordoliberal, Erhard had smuggled copies of Röpke's texts into Germany during the Nazi period.<sup>27</sup> And he would work closely with Röpke on what proved to be an audacious plan for the Deutschmark. In a radio announcement on 20 June 1948, Erhard declared that the new currency would be convertible at a rate of 1:10 to the Reichmark, a proto-monetarist cold bath that effectively reduced the money supply by 90%. But it was the second part of the 'Erhard-Röpke plan' that caused this event to be memorialized in conservative economic lore: the 'bonfire of controls'

removed, in a single act of administrative fiat, the entire structure of Nazi-era price and wage controls, while slashing taxes on incomes and capital, establishing what has since been celebrated as a deregulatory *tabular rasa* (Lenel, 1989; Formaini, 2005).<sup>28</sup> It was in the wake of this moment of immaculate neoliberal intervention that the West German economy enjoyed a generation of 'miraculous' growth. These circumstances helped to elevate Erhard to the position of Chancellor in 1963. Ordo histories recount that his exit from office, in 1966, coincided with the country's surrender to the evils of bureaucratic intervention, welfarism, over-regulation and 'penal' levels of taxation.

Visitors to Hayek's home in the mid-1960s recall him complaining about his taxes (Ebenstein, 2003a). He was also growing increasingly sceptical of the direction of West German economic policy, which since the early 1950s had been framed in the euphemistic discourse of the 'social market economy'. Coined by Alfred Müller-Armack in 1946 to refer to a rather pragmatic and elastic successor to Ordoliberalism, the social market economy would come to denote an 'eclectic version of the neoliberal creed which was open to state interventionism', one that became consolidated as a 'new hegemonic discourse coalition' following the recruitment of its creator to Erhard's Ministry of Economics in 1952 (Lehmbruch, 2001: 83–84). Even at the hands of its architect, however, the definition of the social market economy would remain somewhat elusive. During his six years in charge of German economic policy, Müller-Armack engineered a working conception of the social market economy as much through institutional action as programmatic intent. Operationalizing a guiding principle of Ordo economics, governmental interventions were supposed to be 'market-conforming' (*marktkonform*), but in practice this would embrace the pragmatic accommodation of a wide range of barely conforming interventions in social policy, the taxation system, industry

policy, housing-market regulation and so on (Lenel, 1989).

Müller-Armack's retrospective attempt to clarify the meaning of the social market economy variously emphasized its ideological, sociological, philosophical and spiritual character. He insisted that it should be understood as an 'irenical formula, not a Utopian approach', favouring deliberate government action and the channelling of traditional values over simple faith in market forces: 'This does not mean fixing a basis that sets a path for all time, but one pointing a road that must be taken now' (Müller-Armack, 1965: 94). This was a way to signal Müller-Armack's (somewhat loose) adherence to an 'end-state' rather than 'procedural rules' variant of neoliberalism, the latter licensing a range of interventions and actions in the pursuit of a desired equilibrium state (see Barry, 1989).<sup>29</sup> This distinction points to continuities between the social market economy and Ordo-school neo-liberalism, which at the time Müller-Armack was anxious to deny.<sup>30</sup> Rather than a straight-forward extension of Ordoliberalism, the social market economy is perhaps better understood as the first 'Third Way' (re)formulation of neoliberalism, which after the second world war had 'reserved space between capitalism and socialism, without any specific characteristics of its own' (Tribe, 1995: 214–15). This reformulation was not only pragmatically consistent with the exigencies of postwar reconstruction, it also reflected the ideological Manicheanism of the time:

The whole world is in a state of tension between East and West, and within this framework fixed by the nuclear deterrent of either side, the possibilities for action by the free West are limited. So much more important, therefore, is the deliberate assertion of its inherent form of freedom. The Social Market Economy certainly cannot, and should not, be used as a counter-ideology, yet it is a formula by which the self-knowledge of the West can be organized in a form appropriate to it. If we make a conscious attempt to safeguard our way of life against the East, it is not enough

to take this or that pragmatical step; the deliberate organization of our life under a guiding principle is required. (Müller-Armack, 1965: 90)

The 'flexible discourse' of the social economy was also vulnerable to cooptation: the Social Democrats, the dominant party in Germany by the late 1960s, would later borrow the language of the social economy to fashion a compromise between residual elements of the 'Freiburger Imperativ' and both Keynesianism and corporatist bargaining (Nicholls, 1994; Lehmbruch, 2001). Little wonder, then, that Hayek had always been sceptical of the term.<sup>31</sup>

This said, the kind of Ordo thinking with which Hayek was more sympathetic was also marked by a certain elasticity. While some of the founding Ordoliberals had gone into exile (or 'half-exile') during the Nazi era, others remained in Germany, joining the Akademie für Deutsches Recht, helping to 'realize the national-socialist program' in the field of law and economics, and engaging in a struggle with advocates of centralized planning within Hitler's evolving economic philosophy (Johnson, 1989; Tribe, 1995; Ptak, 2008). Along with Walter Eucken and Franz Böhm, Müller-Armack was a member of the Akademie, exhibiting a facility for compromise that would later find reward in the social market era, when he would become the 'guardian of neoliberal beliefs within the machinery of government' (Lehmbruch, 2001: 84).

The Ordoliberals had long been vociferous opponents of Keynesianism, and would later contest Beveridgean welfare-statism no less vigorously (Oliver, 1960), but this did not mean that they were antistatist in the fashion of the Chicago School. Rather, the Ordo school believed in a visibly strong, but not expansive, state, arguing that concentrations of governmental power were acceptable where these enabled the maintenance of competitive conditions (and the *deconcentration* of private power, in the form of monopolies). This concern, to strike an

appropriate balance between private and public power in order to *secure* economic freedom, can be traced back to the founding statements of the Ordo school, including Röpke's attacks on the restrictive association of liberalism with Manchesterism and the nightwatchman state in the early 1920s: true liberals, Röpke argued, should fight 'for the idea of the state and against the lack of freedom in which private economic monopolies – supported by government leading a shadow existence – keep the economy captive' (quoted in Megay, 1970: 425). This authoritarian strand of liberalism would later find a place within the National Socialist project. Rüstow defended a robust conception of the *Freie Wirtschaft–Starker Staat* (free economy–strong state) only months before Hitler's ascendancy:

The new liberalism ... which my friends and I represent, requires a strong state, a state above the economy, above interests, there where it belongs. (Quoted in Johnson, 1989: 47)<sup>32</sup>

While these arguments were very closely consonant with the pre-Chicago School position of Henry Simons (Oliver, 1960), they were explicitly – if not programmatically – antagonistic to Manchesterism, nineteenth-century *laissez-faire*, 'palaeoliberalism' and numerous strands of Austrianism (Oliver, 1960; Barry, 1989; Willgerodt and Peacock, 1989). Erhard described Manchester-School liberalism as 'virtually outmoded', while Eucken maintained that the experience of nineteenth-century *laissez-faire* 'prove[d] that the economic system cannot be left to organize itself', concluding that there can be 'no question of returning to *laissez-faire*' (quoted in Barry, 1989: 109).<sup>33</sup> The Ordo-liberals shared with the Austrians strong critiques of bureaucracy, welfarism, central planning and socialism, but they part company with Mises and his followers in their contention that 'the epoch of *laissez-faire* was a logical prelude to the interventionism and central planning which followed' (Oliver,

1960: 132). And in fact the post-war assessment was that a 'purified competitive order will have to go much further in admitting coercion and governmental control than in the past' (Böhm (1950), quoted in Friedrich, 1955: 512). Ordo, in this respect, represented an alternative both to deregulated capitalism and centrally planned socialism; it envisaged a created, not a natural, order.

'The problem will not solve itself simply by our letting economic systems grow up spontaneously', Eucken (1950: 314) wrote in his *Foundations of economics*, 'The history of the last century has shown this plainly enough'.<sup>34</sup> Rather, he continued, 'The economic system has to be consciously shaped'. Writing to a senior official in Erhard's economics ministry in the same year, Eucken observed that the policy debates of the preceding years had, in fact, been closely modulated around this position:

The argument today is not at all that between *laissez-faire* and economic planning. It is not a matter of conflict about whether the state should interfere only a little or somewhat more. Actually the defenders of *laissez-faire* have completely disappeared. The conflict is a different one. One side, to which I belong, is of the opinion that the state must influence, or even directly establish, the forms and institutional framework within which the economy must work. It should, however, avoid the attempt to steer directly the everyday business of the economy. Others believe that the state must not just establish the framework, but must influence the day-to-day working of the economy on the basis of central planning. (Quoted in Nicholls, 1994: 185)

The German neoliberals were sometimes attacked, in the postwar period, on the grounds that their association with the Akademie für Deutsches Recht during the Nazi era effectively outed them not only as illiberal statist, but collaborators in the most toxic form of *étatisme* (Lutz, 1989 (1956)).<sup>35</sup> Their defenses could be robust. Writing to Röpke in 1946, Rüstow described Mises as 'an old liberal ultra ... who belongs behind glass in a museum [while] Hayek too

... has never been quite transparent to me' (quoted in Nicholls, 1994: 102). Parsing the differences more carefully, Müller-Armack styled the German variant of neoliberalism as a 'regulative policy', albeit one dedicated to the notion that competition is 'the primary principle of economic coordination' (1989 (1956): 83). In their anti-monopoly stance, in their embrace of market-conforming regulation, and 'in their over-all program, most [German] neoliberals resemble the Chicago School' – albeit the *old school* of Henry Simons – 'more than they do Von Mises' (Oliver, 1960: 133). Correspondingly, German neoliberalism 'differed sharply' from the *later* Chicago School of Friedman and Stigler (Nicholls, 1994: 146), which, as we have seen, effectively disowned Simons.

The German variant of neoliberalism represented a search for a distinctive synthesis, located between the polar opposites of unfettered capitalism and state control. 'It was not just a soggy compromise between the two – a receipt for a "mixed economy"', Nicholls (1994: 146) maintained, but endeavoured to 'harness the dynamic forces of competition whilst ensuring that economic activity for private benefit should help to create a just and harmonious social order'. Defined *in reaction to* what was variously characterized as palaeoliberalism or 'historical liberalism', the Ordoliberal project internalized a critique of *laissez-faire* with almost Polanyian undertones. Röpke assailed the rationalist assumption that the market was 'something autonomous, something based on itself, as a natural condition outside the political sphere requiring no defense or support' (quoted in Barry, 1989: 119). Neither would a minimalist, law-and-order state be sufficient to the task of effectively 'embedding' the market economy, Röpke contending that this required a 'firm framework ... in short an anthological-sociological frame' (quoted in Ptak, 2008: 9).

[A] pure free market economy ... cannot float freely in a social, political, and moral vacuum.

[It] must be maintained and protected by a strong social, political, and moral framework. Justice, the state, traditions and morals, firm standards and values ... are part of this framework as are the economic, social, and fiscal policies which, outside the market sphere, balance interests, protect the weak, restrain the immoderate, cut down excesses, limit power, set rules of the game and guard their observance ... In other words, the final destiny of the market economy with its admirable and wholly irreplaceable mechanism of supply and demand is determined outside the sphere of supply and demand itself. (Röpke, quoted in Bark and Gress, 1989: 208)

Recognition of the necessity for extra-economic, indeed moral, regulation was therefore a defining characteristic of German neoliberalism,<sup>36</sup> animated as it was by an idealized vision of a decentralized, but orderly, society – an unapologetically bourgeois order. Many of the contemporary threats to this order came from excessive concentration, in all its forms – private monopolies, sprawling cities, multilateral policymaking. Röpke (1960: 246, 50), for his part, 'shudder[ed] at the thought of an European Detroit', recoiled from the 'noise and the stench of mechanized mass living' and gazed with incredulity at the life of the 'typical office worker in New York'.

## V New York or Chicago?

Hardly typical office workers, Polanyi and Mises would both end their careers teaching economics in New York City. In 1947, Polanyi was appointed to a visiting professorship in economics at Columbia University, where he would teach institutional economics and economic history until his retirement in 1953.<sup>37</sup> Since the US authorities refused to grant his wife, Ilona Duczynska, resident status on account of her Communist Party associations in Hungary and Austria, Polanyi commuted from Pickering, Ontario for most of this time. While he was to remain 'a relatively neglected economist', according to his intellectual biographer, Ron Stanfield (1986: 21), Polanyi was nevertheless remembered

fondly by his students (see Neale, 1990; Fusfeld, 1994; Rotstein, 1994). Indeed, it has been remarked that he ‘was above all a teacher’ (Pearson, 1977a: xxvii). Polanyi’s intellectual approach was highly distinctive, if not somewhat idiosyncratic – a combination of Aristotelian rhetoric, anthropological history and a kind of proto-realist method. As one of his former students recalled:

[T]he proper method [for economic analysis] was to break down a problem into its component parts, get the empirical evidence in hand, use logical analysis to draw tentative conclusions, check them empirically, and move from there to larger and broader propositions that were in turn verified empirically. (Daniel Fusfeld, quoted in Lewis, 1991: 477)

Polanyi’s legacy included a generation of inspired students, who did much to keep his ideas in circulation, prior to the widespread revival of interest in *The great transformation* from the mid-1990s.<sup>38</sup> Just prior to his death in 1964, Polanyi wrote to a friend that his three decades in the wilderness seemed finally to be over, that the world had ‘caught up’ with him (quoted in McRobbie, 1994b: vii). But it was to take another three decades, arguably, for the world truly to catch up with Polanyi. Although he had remained essentially an optimist for most of his life, developments in the decades after Polanyi’s death would earn his work a renewed, if unwelcome, relevance. ‘Polanyi’s arguments are so important for contemporary debates about globalization because neoliberals embrace the same utopian vision that inspired the gold standard’, Block (2001: xxxiii–xxxiv) has observed, even as ‘market liberalism makes demands on ordinary people that are simply not sustainable’. It had been somewhat prematurely, then, that Polanyi had pronounced ‘obsolete’ the market mentality, and both ethnocentric and radically incomplete the formalist universalism of neoclassical economics (Polanyi, 1947; 1977 (1957)).

Something, apparently, provoked the Mises camp, the embattled beachhead of

which was also in New York City. Perhaps it was Polanyi’s (1977 (1957): 23) revisionist history of the origins of Austrian economics, which resurrected some of Carl Menger’s late-in-life recalibrations of price theory, that Mises, Hayek, Knight and others apparently preferred to remain ‘lost’. In 1961, the Volker Fund commissioned Mises-protégé Murray Rothbard to assemble a ‘thorough critique of Polanyi’. Happy to oblige, Rothbard (2004 (1961): 1) characterized *The great transformation* as ‘a farrago of confusions, absurdities, fallacies, and distorted attacks on the free market’ in a response that was never published, perhaps never publishable.<sup>39</sup>

Mises’ final decades were marked by much less contentment than those of Polanyi, though his followers would also stake a claim to a different kind of posthumous vindication. Appointed in 1945 to a visiting position at the Graduate School of Business Administration at NYU, Mises was embarrassingly dependent on the Volker Fund to pay his salary. According to Rothbard (1980: 35), he was ‘often treated as a second-class citizen by the university authorities’, while he was effectively ‘neglected and forgotten’ in the realm of public discourse.<sup>40</sup> At NYU, Mises was surrounded by colleagues to whom the ‘spirit of classical liberalism was alien and irksome’, while it was said of the accountancy and business-administration students who found their way into his classes, ‘few ... really sought economic knowledge and comprehended what it was all about’ (Sennholz, 1978: 156). Mises maintained a prolific output, but his books – most of them published by rather marginal and subsidized libertarian presses – never found a wide audience. In *Bureaucracy*, as in all his works, he continued to display a combination of doctrinal fundamentalism, political consistency and biting rhetoric: ‘Capitalism is progressive, socialism is not’, he declared. Meanwhile, the advocates of statism:

call themselves progressives, but they recommend a system which is characterized by

rigid observance of routine and by resistance to every kind of improvement. They call themselves liberals, but they are intent on abolishing liberty. They call themselves democrats, but they yearn for dictatorship. They call themselves revolutionaries, but they want to make government impotent. They promise the blessings of the Garden of Eden, but they plan to transform the world into a gigantic post office. Every man but one a subordinate clerk in a bureau, what an alluring utopia! What a cause to fight for! (von Mises, 1944: 125)<sup>41</sup>

Mises soldiered on with his NYU seminar until 1969 when, at the age of 87, he retired. From this unprepossessing academic '*cul de sac* ... a tiny handful of graduate students did emerge ... to carry on the Austrian tradition', but for the most part Mises remained a 'lonely' voice in an 'inhospitable world' (Rothbard, 1980: 36). He had spent his life battling, more or less successively, though rarely successfully, the German Historical School, municipal socialists, positivists, National Socialists, Keynesians, American liberals, corporate bureaucrats, feminists and even some of his former friends in the Mont Pelerin Society. Mises had become dismayed with what he saw as an 'indiscriminate' policy of admitting 'logical positivists and economic interventionists' to MPS meetings (Sennholz, 1978: 170), drifting away from the group during the 1960s. Storming out of an MPS meeting, during a session chaired by Milton Friedman, he is remembered for accusing his fellow delegates of being a 'bunch of Socialists' (quoted in Cockett, 1995: 114).

Mises also had a tendency to fall out with his former students, many of whom went on to disappoint him. Hayek was always careful to remain on his right side (Hayek, 1994c). But Mises' estrangement from the orthodoxies of mainstream economics – vigorously opposing Keynesianism on theoretical and political grounds, but also finding fault with neo-classical formalism and mathematic proofs on methodological grounds (Butler, 1988; Garrison, 1993) – meant that his followers would have to plough an almost deserted

furrow. While there are some affinities, at the level of principle, between Mises originalist monetarism and the postwar variant established by Friedman and others, the trajectory of positive economics developed by the Chicago School was pretty much anathema to Mises (Rothbard, 1980).<sup>42</sup> The adoption of mathematics as the 'language' of positive economics, after the second world war, proved to be instrumental in the subsequent transnationalization of neoclassical economic discourse – a development most notably illustrated in the training of the Chicago Boys and their subsequent work in Chile (Valdés, 1995; Dezalay and Garth, 2002). It also left practitioners of an earlier art of economic discourse, based on oratorical and diagrammatic modes of analysis, seriously out of step. Garrison (1993: 103) points out that a modern economist 'who prefers not to use mathematics in his economic theorizing is held in the same regard as a sculptor who prefers not to use a chisel'. Mises, most conspicuously, had no interest in the new tools of positive economics.<sup>43</sup> He remained, according to his wife, 'uncompromising' to the very end. When he died, in 1973, there was more than a hint of irony in the fact that he remained 'the undisputed doyen of the Austrian School of economics' (Butler, 1988: 11–12).<sup>44</sup>

Murray Rothbard (1993: 202, 197) concludes that Mises' long struggle against both the tides of history and the political-economic *Zeitgeist* looked to many like a 'hopeless cause', for his mentor 'had the bad luck to be one of the foremost champions of *laissez-faire* in the history of economic thought, but during a century of aggravated statism'. It had been the burden of Mises' lifetime to 'anxiously observe an almost continuous advance of socialism, which he opposed with all his strength and ability', Sennholz (1978: 173) sympathized, but he had continued to 'resist every step of ill-conceived and counter-productive government intervention that invariably makes matters worse'. He had no time, needless to say, for those of his

former students who drifted into Keynesian compromise and interventionist apologetics, though he was almost as alarmed that others strayed into anarchist antistatism.<sup>45</sup> Allegedly in response to this latter development, he was forced to clarify his own position on the minimalist state. Seeing ‘unswerving enslavers and aggressors’ all around him, Mises conceded that even freedom came at a price, one which justified public expenditures on ‘a government apparatus of courts, police officers, prisons, and of armed forces’.

As isolated attempts on the part of each individual to resist are doomed to failure, the only workable way is to organize resistance by the government. The essential task of government is the defense of the social system not only against domestic gangsters but also against external foes. He who in our age opposes armaments and conscriptions is, perhaps unbeknown to himself, and abettor of those aiming at the enslavement of all. (von Mises, 1963: 282)

A year after Mises died, in 1974, Hayek was awarded the Nobel Prize for Economics. The tide was turning.<sup>46</sup> Mont Pelerinians would claim the prize on no less than seven subsequent occasions.<sup>47</sup>

## VI Neither Washington nor Bonn

Neoliberalism’s curse has been that it can live neither with, nor without, the state. Marked by an abiding distrust of governmental power and the expansionist tendencies of bureaucracy, the post-laissez-faire credo of neoliberalism has struggled persistently with the question of how to define and delimit appropriate realms and roles for the state. For all its creativity, neoliberal discourse has never provided an elemental answer to this question. Mises may have had the most doctrinaire response, but it was also the most unrealistic. His brand of intransigent liberalism was an isolated and antiquated one, even within the ‘neoliberal thought collective’. Hayek’s design for the MPS acknowledged this. His continued deference to Mises, which often aggravated other MPS members, revealed

more about his professional debts of the past than it did about the intellectual challenges of the future. Mises’ fundamentalism, Hayek understood, represented but one of the ideational coordinates for the liberal revival. His attempt to construct an ‘integrated structure of liberal thought’ (Hayek, 1967 (1951): 200) had to begin with the scarce and scattered intellectual resources of postwar liberalism. Against the tides of collectivism, these localized enclaves of liberalism were barely connected in the pre-Mont Pelerin years.<sup>48</sup>

Hayek’s decisive intervention established a transatlantic space of communication across an embryonic network of localized liberalisms. In a sense, the point of departure was defined by the Viennese group, grounded in Mises’ efforts in the 1920s, with subsequent diasporic connections to Geneva and the East Coast of the USA. Then there was the London node, which had led the initial attack against Keynes – which was focused on Lionel Robbins at the LSE, with a strong lineage back to the work Edwin Cannan before the first world war. Arguably the most consequential for the mid-century revivalist project, however, were the Chicago School and the German Ordoliberalism – the former espousing the most precocious manifestation of neoliberalism’s theoretical project, and the latter representing the ‘actually existing neoliberalism’ of the social market economy. In some respects, the market-first model of Chicago School neoliberalism found its reflection in the state-first model of Ordoliberalism. Foucault (1997: 78) went as far as to characterize them as ‘completely contrary’ intellectual and political movements. But, importantly, these were contrary currents *within* an enfolding ideological dynamic of neoliberalism, placed in productive tension with one another from the time of the first Mont Pelerin meeting, if not before. Denied the spontaneous utopia of laissez-faire, the architects of neoliberalism were engaged in the construction of what Foucault called a ‘regulative scheme’, rooted in a trenchant critique of prevailing governmental practices.

The plurality of these practices partly accounts for the contextually specific character of the various strands of neoliberalism, since the liberal revival:

constitutes – and this is the reason for both its polymorphism and its recurrences – a tool for criticizing the reality: (1) of a previous governmentality that one tries to shed; (2) of a current governmentality that one attempts to reform and rationalize by stripping it down; (3) of a governmentality that one opposes and whose abuses one tries to limit ... I would be tempted to see in liberalism a form of critical reflection on governmental practice. (Foucault, 1997: 75, 77)

The liberal revival was a polycentric and plural one from the beginning. The Mont Pelerinians may have been relatively unified in critique, but they were to remain divided over many of the practices and even some of the principles of its nascent transformative project. They may have all turned their backs on the road to serfdom, but they continued to differ on the question of the path forward. The Society's 1947 founding declaration, practically the only collective statement it would ever endorse, explicitly refused to commit to any 'meticulous or hampering ideology', preferring instead to define the organization's goals in terms of 'the exchange of views among minds inspired by certain ideals and broad conceptions held in common' (quoted in Hartwell, 1995: 42). In this respect, the ideational project of neoliberalism was *formed as* a flexible and open-ended one; there never was a singular worldview, nor was there an expectation that one would be developed, at least in the short term.

Conservative historiographies are wont to highlight the 'bonds of sympathy' that existed between, for example, the German neoliberals and Austrian palaeoliberals (Peacock and Willgerodt, 1989: 6), or between the Europeans and the Americans (Hartwell, 1995), but these were differences that, at all times, had to be *managed* within the framework of the MPS. Prior to the 1970s, these differences were counterbalanced by the

visceral sense of shared alienation from the ideational and ideological mainstream. In this sense, the neoliberal credo was constructed at the margins, albeit at the margins of elite networks.<sup>49</sup> The imperative to 'save the books', to protect the flame of liberalism, clearly animated the project's pioneers. Yet rather than waging a titanic, dialectal battle against Keynesianism, socialism and totalitarianism, they would prefer the image of a 'Saving Remnant', an embattled band of true believers 'huddled together for warmth on a dark and stormy night' (Feulner, 1999: 25).

The beleaguered pilgrims may have had a shared vision of Hell, but they harboured no illusions about imminently entering Heaven. Instead, they debated which steps to take in the intellectual Purgatory into which they had been born. Agreement could be reached on which antithetical and alien institutions to 'roll back', but there was no such consensus on the purposive shape of the preferred neoliberal order. This problem went back at least as far as Keynes' contention that Hayek was unable to demonstrate 'where to draw the line' on the role of the state in the economy. Hayek insisted that dabbling with any 'middle way' forms of planning would lead, inexorably, to serfdom, while at the same time grudgingly acknowledging that the extreme form of the unfettered market remained practically unattainable. In Keynes' mind, this meant that he was 'done for', logically speaking: in practice, neoliberals would be no less reliant on intuition and judgement in determining appropriate forms of intervention than were their socialist foes. 'On the other hand, no one who lived through the 1970s', Skidelsky (2005: 742) later observed, could fail to see 'great pathos in Keynes' so – English response to Hayek's warning – 'Don't worry, things will be perfectly all right here in England, because we're English and not crazy like the Continentals'.

We will never know what Keynes would have made of Germany's social market experiment, but he was unlikely to have

written it off as crazy. This said, the Ordo group's attempt to finesse the question of line-drawing, through their conception of 'market-conforming' intervention, was ultimately unsuccessful, at least within the terms of the neoliberal project. The absence, in principle, of a 'theoretical stopping point' led in practice to what the neoliberals saw as the unseemly governmental sprawl of 1970s-style West German welfarism (Barry, 1989: 120). Subsequently, of course, the 'German model' would acquire diametrically different signifiers, as the Ordo foundations of the social market economy became increasingly obscured, and as new historical geographies of capitalism began to celebrate the 'coordinated' form of 'Rhinish' capitalism as an *alternative to Anglo-Saxon neoliberalism* (Albert, 1993; Hall and Soskice, 2001; Thelen, 2004). In its most elaborated form, the German model is sacrilegiously characterized in this literature as a form of 'nonliberal capitalism' (Streeck and Yamamura, 2001; cf. Peck and Theodore, 2007).

Of course, the social market economy always did represent an alternative to the 'antistatist' of traditional Anglo-Saxon *laissez-faire* (Allen, 1989: 282; Dillard, 1985), but it was also, crucially, an alternative cultivated *within* the framework of the neoliberal reconstruction. This explains why Foucault, in his lectures on biopolitics and neoliberal governmentality, chose the device of an extended comparison of Ordoliberalism and Chicago School economics. Rather misleadingly suggesting that the latter 'derives from the former' (Lemke, 2001: 192), Foucault (1997) nevertheless highlighted significant ontological differences between these foundational currents in neoliberal thought. Ordo implied an institutionally embedded and anti-naturalist conception of the market, sanctioning social interventions *for* the market but not *in* the market – thereby re-defining 'economy' not as some autonomous sphere, but as a space for the 'practice of government'. As a constructed order, Ordo was therefore a necessary prerequisite for

realizing the powers of the market, of competition, of entrepreneurialism. In contrast, the Chicago School developed an expansive vision of the market as the pre-eminent organizer of socioeconomic life, normatively and analytically superior to the state. Government, in this respect, became a space for the practice of economy.

Whereas the *Ordo*-liberals in West Germany pursued the idea of governing society in the name of the economy, the US neo-liberals attempt to re-define the social sphere as a form of the economic domain ... [F]or the neo-liberals the state does not define and monitor market freedom, for the market is itself the organizing and regulative principle underlying the state. From this angle, it is more the case of the state being controlled by the market than of the market being supervised by the state. (Lemke, 2001: 197, 200)

If Keynes' burden was to strive 'to save capitalism from itself' (Eric Hobsbawm, quoted in *Guardian*, 20 November 1983: 22), the Ordoliberals were also convinced that a different kind of 'strong state was necessary to protect capitalism from the capitalists' (Alexander Rüstow, quoted in Bark and Gress, 1989: 207). The more reckless Chicago solution put the market first, alternately starving the state while indulging finance and monopoly capital, and apparently oblivious to any need to protect capitalism from the market. The challenge implicit in ordoliberalism was to ascertain where and when to put a brake on the state; the challenge implicit in Chicago neoliberalism was to know where and when to put a brake on the market. As Keynes had immediately spotted, the neoliberals could not say where to draw the line. Despite their rhetoric about the restoration of liberty, the neoliberals' more earthly goal was to save capitalism from Keynesianism – entailing a phase-shift *within* regulatory practice, not beyond it.

While the ascendant Chicago School may have represented the most precocious strand/brand of neoliberalism, it never stood for the singular essence of the project. Rather, it

established a key coordinate in the discursive space staked out by the Mont Pelerinians. Ordoliberalism defined another, though in retrospect its moment of realization as an actually existing neoliberalism may have come too soon. Erhard himself was pressured to dabble with Keynesian measures in the mid-1960s, a prelude to the Social Democratic makeover of the social-market economy later in the decade (Allen, 1989). Hayek would claim to have foreseen this slippery slope, although there were other Mont Pelerinians who found the neglect and marginalization of the German model 'puzzling' (Hartwell, 1995: 215). In different circumstances, it might even have been celebrated as a paradigmatic neoliberal transition story, rather than Chile, the USA or the UK ... on the path to a different history of capitalism.

By the time of the 1972 MPS meeting in Montreaux, Milton Friedman was arguing that the war of ideas within economics had now been won, and that it was time to consider dissolving the Society (Feulner, 1999). This proposal was defeated; there was still work for the Mont Pelerinians to do. And it was now time to press home the advantage. The economic dislocations of the 1970s created an environment in which neoliberal nostrums finally acquired real traction, then Thatcher and Reagan would both rise to power on the basis of economic advice delivered, quite disproportionately, by Mont Pelerinians (Anderson, 1987; Cockett, 1995). Even after the fall of the Berlin Wall, one of Friedman's successors as MPS president, James Buchanan, was busy warning that, as state socialism lay dead, the Leviathan-state continued to threaten. There was, he sensed, a pervasive 'attitude of nihilism' around the question of economic organization: while the fallibility of command economics had been vividly demonstrated, there remained a 'residual unwillingness' to defer to the free market, governed by the rule of law:

[Under these conditions], the natural forces that generate the Leviathan state emerge

and assume dominance. With no overriding principle that dictates how an economy is to be organized, the political structure is open to exploitation by the pressures of well-organized interests. The special-interest, rent-seeking, churning state finds fertile ground for growth in this environment ... There will be no escape from the protectionist-mercantilist regime that now threatens in both Western and eastern countries so long as we allow the ordinary or natural outcomes of majoritarian democratic processes to operate without adequate constitutional constraints. (Buchanan, 1990: A8)

It was the rather less than ordinary functioning of majoritarian democratic processes, of course, that placed George W. Bush in the White House, ostensibly to resume the Reagan revolution. While Bill Clinton earned a knowing nod from the Mont Pelerinians for declaring the end of the era of big government (Feulner, 1999), the subsequent arrival of big-government conservatism under Bush II led Friedman to complain that, 'The second President Bush appears to have inherited the free-spending tendencies of the first' (quoted in London, 2003: 12). The neoliberals, having ridden to power on the crisis conditions of the 1970s, had apparently created their own Leviathan, in the form of Republican porkbarrel spending and neoconservative militarism. These circumstances must have been barely imaginable at the time of the birth of the neoliberal reconstruction.

Writing in the early 1930s, when 'anti-capitalist sentiment threaten[ed] to engulf almost the whole intellectual class', when 'deserters [were leaving] the capitalist for the socialist camp' and when there was a 'distinct feeling of inferiority on the part of the capitalist world', Röpke scathingly decried the motives of those who would fan the flames of the crisis, recklessly announcing the arrival of 'late capitalism', in the absence of persuasive proof of the sustainability of socialist economics (1969 [1931]: 31, 26, 43). The irony was a bitter one for Röpke, since in his eyes the demonstrable failures of Depression-era capitalism had less to do with the system itself than with the 'grotesque'

accretion of ‘alien elements’ such as collectivism and planning.<sup>50</sup> Röpke acknowledged that the present system had ‘defects’, but that there was nothing to be gained from ‘emotional reactions’ to exaggerated talk of the ‘crisis to end all crises’, especially if this were to lead to yet more wrongheaded interventionism.

It would be interesting to know today how this doomsday mood is going to be judged in fifty years’ time, but my guess is that the chronicler of 1980 will find the mood very strange if he compares it to the technical feats achieved by capitalism during the ten years preceding the crisis ... The chronicler of 1980 may have to record, sadly, how badly we failed when there was still time to prevent a catastrophic regression into poverty and barbarism. Maybe he will have to record that the civilization and the economy of the Western world perished because people allowed an economic system of unparalleled strength and resilience to rot or threw it overboard. And not without bitterness will he recall not only those who sinned against the economic system but also the pessimists and amateurish activists whose prophecies based on secret desires came true, just because their propaganda was more than anything else responsible for undermining the intellectual foundations of the system. (Röpke, 1969 (1931): 43–44)

Needless to say, the intellectual and political climate was dramatically different in 1980. On the occasion of the reissue of his 1962 tract, *Capitalism and freedom*, Milton Friedman recalled that the original edition had been given the ‘silent treatment’ by both the mainstream media and the Keynesian intelligentsia, who believed that its message would resonate only with a ‘small beleaguered minority [of] eccentrics’ (1982: vi). A measure of the shift in the intellectual climate was that the book’s sequel, *Free to choose* (Friedman, 1980) – which was published as a mass-market paperback in association with a public television series – registered sales in the hundreds of thousands. It was the audience, rather than the basic message, which had changed, as evidenced in the stark contrast between the ‘overwhelming defeat’ of Barry

Goldwater in the presidential election of 1964 and the ‘overwhelming victory’ of Ronald Reagan in 1980 (Friedman, 1982). For Friedman, the role of principled, public interventions, whether or not they flew in the face of prevailing public opinion, was:

to keep options open until circumstances make change necessary. There is enormous inertia – a tyranny of the status quo – in private and especially governmental arrangements. Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable, (Friedman, 1982: viii–ix)

At the beginning of this crisis period, before the ‘politically impossible became politically inevitable’, things looked rather different. Joan Robinson, delivering the Richard T. Ely lecture in the same year that Nixon inauspiciously declared that ‘We are all Keynesians now’, offered less charitable interpretation: ‘A sure sign of a crisis’, she reflected, ‘is the prevalence of cranks. It is a characteristic of a crisis in theory that cranks get a hearing from the public which orthodoxy is failing to satisfy’ (1972: 8). And there certainly would be a crisis of theory. During the 1970s, ‘the Keynesian system of political economy disintegrated’ (Skidelsky, 2005: 850–51). It was no mere coincidence that neoliberal ideas filled the attendant vacuum. Of course, it is absurd to suggest that they were passively ‘lying around’, as Friedman would have it. They had been scrupulously formulated for this very eventuality, as a total critique of Keynesian rationality, and they had been peddled relentlessly through free-market think tanks, through the financial community and business organizations, and through the elite and mainstream media, not least by Friedman himself, who amongst his other talents had been a contributing editor of *Newsweek* between 1966 and 1984, became a mainstream TV pundit in the 1970s, helped

design the market for financial futures in 1972 and outlined the case for school vouchers in 1955, going on to spend his long post-Chicago career at that bulwark of American conservatism, the Hoover Institution on War, Revolution, and Peace at Stanford University (see Maiken, 1980; Hirsh and de Marchi, 1990). The neoliberal counterrevolution was not just passively devised; it was actively delivered.

As one of the historians of the Chicago School has observed, 'Intellectuals produce ideas which are received or rejected based on social conditions beyond their control'; the worldview of Friedman and many members of the Chicago School 'never really changed. The world changed' (Kitch, 1983: 231). The neoliberal ideational project was designed – one might say planned – for this encounter with reality. Even as it recirculated utopian elements of the nineteenth-century vision of *laissez-faire* (cf. Polanyi, 1944), its gaze was firmly fixed on the tawdry realities of economic governance. In this respect, the neoliberalism of the Chicago and Freiburg schools was 'not a dream that comes up against reality and fails to find a place within it', as Foucault (1997: 75, 76) reflected, but a project knowingly formulated '“at the limit” of government action'.

To judge from the climate of opinion, we have won the war of ideas. Everyone – left or right – talks about the virtues of markets, private property, competition, and limited government. No doubt the Mont Pelerin Society and its many associates around the world deserve some credit for that change in the climate of opinion, but it derives much more from the sheer force of reality: the fall of the Berlin Wall; the tremendous success of the Far Eastern tigers ... and, more recently, Chile. (Friedman and Friedman, 1998: 583)

The sheer 'force of reality' may have shaped the circumstances of the neoliberal ascendancy, but it did not functionally predetermine that ascendancy. The ideational projects of neoliberalism, and the painstakingly constructed networks that sustained and integrated them, had more than a little agentic

capacity in this context. But of course they were not formulated, nor did they ever function, in isolation. Neoliberal nostrums gained widespread traction in the 1970s, purposefully narrating a set of crises that they had been designed to exploit. The genesis of neoliberalism as an ideational programme, of course, had occurred much earlier, indeed in an earlier crisis, as a reaction to the socialist and Keynesian ascendancies of the 1930s. In this sense, neoliberalism 'truly was an offspring of the Great Depression' (Mirowski and Plehwe, 2008: 23), a deliberative and constructivist project that developed symbiotically with, but in the shadow of, Keynesianism's 'new economics'. It was a conservative, but creative, intellectual reaction to what was portrayed as the 'crisis of capitalism' in the 1930s (Denord, 2008; Ptak, 2008). The response, which got a false start at the Colloque Lippmann in Paris and then a kick start in Mont Pelerin, entailed the formation of a transnational network around the handful of localized incubators of liberal thinking. These were to coexist in a somewhat volatile relationship with one another, though their assemblage was marked by a defensive form of intellectual solidarity, born out of shared estrangement from the ideological mainstream. Ironically, while the Mont Pelerinians' trek to the mountaintop may have been seen as a metaphor for a certain kind of ethereal contemplation, far removed from the suffocating politics of statism, in the final analysis it was state power – *used to different ends* – that mattered most. The epistemic community founded by the Mont Pelerinians could define, and debate, the critical problem space between the state and the market, elaborating areas of consensus and working on zones of disputation, but it was, as a mere critique of an historically dominant form of the state, radically incomplete. Its consummation required the capture of state power, for critique to become autocritique. The space that the neoliberal intellectual project reserved, between the state and the market, had to be occupied.

'The epistemic argument against central planning', Gray (1998: 150) observes, 'contains nothing to help us choose between different ways of organizing market economies'. The liberal revival stabilized and reapplied a trenchant critique of 'totalitarian' government, a critique that was progressively broadened and deepened *in parallel with* the growth and development of its defining 'other', the complex of postwar Keynesian welfare and developmental states. Yet the challenge of transforming critique into reconstruction could not be fully met until neoliberal principles *themselves* were explicitly melded with governmental practice, in Germany after 1947, in Chile after 1973, in the USA after 1980 ...

### VII Neoliberalism redux

There is more than a hint of irony (and maybe some hope) in the fact that the official history of the MPS should invoke Polanyi's concept of the 'double movement', the notion of alternating tides of liberalization and commodification, on the one hand, and regulation and social protection, on the other. Reading Polanyi in his own way, MPS chronicler Ronald Hartwell (1995: 195) adjudicates the historical sequence of economic epistemologies, since 1700, in a brusque fashion that might make a regulation theorist blush, 'from mercantilism (and state regulation) to liberalism (and *laissez-faire*) to neo-mercantilism (and the welfare state) to neo-liberalism (and deregulation and privatization)'. In a sense, though, one can see the appeal of such formulations for conservative intellectual historians: the war of ideas may have been won, but no victory is permanent, and the threat of collectivism and planning looms constant (see Buchanan, 1990; Blundell, 2003). For his part, Polanyi (1944: 149) identified a rather different episodic current in liberal thinking: 'as long as [the self-regulating] market system is not established, economic liberals must and will unhesitatingly call for the intervention of

the state in order to establish it, and once established, in order to maintain it'.

The circuitous history of neoliberalism clearly reveals, moreover, that the battlefields over which such wars of ideas are prosecuted are deeply fissured and uneven ones. In its most recent iteration, those on the mountaintop may have possessed a tactical advantage, though they also made use of strategic alliances that would later prove to be critical, not least with financial and export-oriented capital, with the 'taxpaying' middle classes, and with conservative forces in and around the state.

Unlike scientific theories, economic ideas do not confront one another within a homogeneous plane of knowledge. While the world of scientists is highly self-referential, economists act in a field that is deeply structured by other players: political decision makers, bureaucrats, and social agents. Economic theory, in this sense, is embedded within a highly complex system of articulation along with various ideologies and common sense. (Rosanvallon, 1989: 171)

The winding path of neoliberalism from crank science to common sense surely reaffirms these insights. Had circumstances been different, the planned revival of the liberal creed may have been consigned to the dustbin of history, along with countless other revolutionary thought experiments. And certainly its 'success' was never pre-ordained although, as a tenaciously parasitic critique of the Keynesian orthodoxy, it was better placed than most to exploit incipient crises in the postwar order. This said, when the crises began to accumulate, and when the Keynesian orthodoxy itself entered a terminal spin, the neoliberal 'alternative' did not amount to a full-service blueprint for a new political-economic order. The initial rounds of shock therapy, it may be fair to say, had been meticulously planned, but when the patient refused to respond spontaneously to subsequent market stimuli, further rounds of treatment would be required.

These post-monetarist turns had never been clearly visualized from Mont Pelerin; they would have to be rationalized on the hoof and realized experimentally. Thus, in a progressively deeper and ever-more contradictory sense, neoliberalism gradually morphed into a practice of government.

The necessary melding of principle with pragmatism that followed would not have impressed neoliberalism's 'natural intellectuals', such as Mises, whose uncompromising purity came not only at the price of exclusion from the academic establishment (North, 1988; Hoppe, n.d.), but even led to estrangement from the band of public economists, worldly philosophers, faceless technocrats and 'secondhand dealers in ideas', who comprised the extended social machinery of the neoliberal thought collective, and who later worked so purposefully to actualize the project (see Hayek, 1949; Blundell, 2003; cf. Plehwe and Walpen, 2006; Mirowski and Plehwe, 2008). In contrast to Keynesianism, which laid out both a rationale and a rubric for governmental proactivity, complete with its own interventionist technology and economic ontology (Boyer, 1985; Mitchell, 2008),<sup>51</sup> the Mont Pelerinians were never successful in delimiting a set of *agreed* 'positive' functions for the state, beyond law-and-order minimalism (cf. Friedman, 1951). The Austrians, the Ordoliberalists and the Chicagoans all had differing (and to some extent changing) responses to this defining, but elusive, problematic. If nothing else, this confirms the reactionary character of the neoliberal creed, the longevity of which owes much to the insistent denigration of alternatives, coupled with a deference to market testing, as a 'kind of permanent economic tribunal' (Foucault, quoted in Lemke, 2001: 198).

The variable forms of 'market fundamentalism' that have emerged in the wake of these interventions testify to the elastic, and tenacious, reach of neoliberal reason. As Blyth (2005: 24) observes, for all its self-evident

faults and contradictions, neoliberalism today represents the dominant 'prism through which policymakers [understand] the world', the ideational matrix through which contemporary policy 'problems' are comprehended, and responses framed. This is surely what Hayek (1949: 421) meant when he talked about the role of prevailing intellectual apparatuses, 'operat[ing] as a sieve through which all new conceptions must pass'. He wrote these words, of course, from a dissenting, minoritarian position, against the rising tide of interventionism. At the other end of this double movement, the stakes are clearly different, now that neoliberalism has assumed the status of a dominant paradigm, rather than an oppositional undercurrent. Maybe the ideational tectonics are again beginning to shift. Today, unflinching critiques of the market order are being constructed in a variety of locations, most of which, appropriately, are much closer to sea-level than Mont Pelerin. Just one of many such efforts is the Longview Institute's project on market fundamentalism, which seeks not only to identify and deconstruct the founding myths of US-style neoliberalism,<sup>52</sup> but to transcend this through the development of progressive, alternative policy frames, entailing new forms of economic understanding. 'We cannot solve any of our most pressing problems ... as long as Market Fundamentalism restricts our policy choices', Longview argues; 'Chipping away at Market Fundamentalist policies is important, but to win lasting victories, we need to change the way that people think about the economy'.<sup>53</sup> This may look like a tall order, but so did the challenge facing the Mont Pelerinians in 1947.

Histories of the neoliberal present consequently speak to this challenge. No matter what we are being told, the prevailing regime of market fundamentalism will not mark the end of history. And there are things still to learn from this most recent reflex in the

long history of double movements. Like its predecessor, Keynesianism, neoliberalism has achieved a form of hegemony without being monolithic or even completely unified; instead existing as a polymorphous bundle of principles and practices, convictions and compromises, centred around a relatively enduring set of commitments – to free trade, labour-market flexibility, social-state retrenchment, and so on. (These commitments are periodically breached – witness the Bush Administration’s double standards on free trade – but their representation as breaches only reaffirms their status guiding commitments, of course.) Like its predecessor, Keynesianism, neoliberalism exhibits a context-specific form, with high degrees of path dependency, albeit one keyed into a known – if unevenly observed – set of ideational coordinates. It defines a broad vision and strategic priorities, together with a way to make, interpret and respond to policy ‘problems’, licensing the continuous restructuring of regulatory regimes and the state apparatus.

And, like its predecessor, Keynesianism, neoliberalism is reducible neither to the ideational project of a single ‘founding father’, nor to a series of echoes of some allegedly paradigmatic ‘master transition’ in economic governance. Of course, Keynes and Cambridge left their indelible marks on Keynesianism, just as in a different way the traces of Hayek and the MPS can be detected in contemporary forms of neoliberalism, but as socially produced phenomena these economic epistemes are also more than this – evolving historically and morphing geographically. ‘To be Keynesian bespoke a general posture rather than specific creed’, Peter Hall (1989: 367) reminds us, ‘Indeed, the very ambiguity of Keynesian ideas enhanced their power in the political sphere’. Similarly, Mirowski and Plehwe (2008: 6–7) conclude that, ‘Neoliberalism has not existed as a settled or fixed doctrine, but is better understood as a transnational movement

requiring some time and substantial efforts to attain the modicum of coherence and power which it has achieved today ... [N]eoliberalism remains a major ideology that is poorly understood, but curiously, draws some of its prodigious strength from that obscurity’. The precise meaning of neoliberalism was elusive, of course, even to its architects.

The Mont Pelerinians were engaged in an ambitious process of cosmopolitan theory construction that all understood *had to exceed* the sum of its assembled parts. They also knew that, ultimately, their alternative project would have to transcend a critique of Keynesian-welfarism. These fecund conditions propelled the project forward, but the final destination was not known. Paradoxically, the very unrealisability of free-market visions repeatedly energizes the project. The restless landscape of actually existing neoliberalism, like that of Keynesianism before it, is not simply a space of convergence, organized around a singular and uniform ideological project; it is characterized by deeply ingrained institutional geographies, and it is marked by a series of ‘local’, *but interconnected*, neoliberalisms. These local neoliberalisms are relationally constituted with the polymorphous and evolving whole. Of course, the fact that there are varieties of neoliberalism – both institutional and ideational – does not invalidate the concept (Mirowski and Plehwe, 2008), it merely underlines the need for adequate conceptualizations, bolstered by searching, critical forms of concrete analysis and political intervention. This holds for the prehistories of the liberal revival, just as much as it does for the ‘neoliberal present’.

Peering back into history, then, does not reveal a long-buried construct of pristine clarity – some singular, ‘essential neoliberalism’. Rather, exhuming neoliberalism affirms a different lesson, that the central problematic of *marrying enabling forms of state power with market rationality* was just as intractable in Germany in 1948 as it would be

in, say, China 60 years later. Propelled by an unsympathetic critique of socialist planning and a sympathetic critique of laissez-faire, the ideational project of neoliberalism established this problematic as a site of institutional struggle and experimentation, though it could never resolve the contradictions entailed in conjoining a free economy with a strong state. Instead, it proliferated oxymoronic formulations such as the social market, liberal interventionism and market order. This process never spawned a consensual and stable policy fix, despite its fixation on the enduring state/market problematic. The mirror of history consequently reveals refracted and splintered images of the liberal revival, exposing its true character as a reactionary yet adaptive project. In the neoliberal hall of mirrors, it seems, there are only reflections.

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#### **Notes**

1. According to Friedman (1951: 91, 93), the necessary and 'truly positive functions [of] the state' included the following: 'The state will police the system, it will establish the conditions favorable to competition and prevent monopoly, it will provide a stable monetary framework, and relieve acute poverty and distress'.
2. In the final analysis, Mises' contribution to the socialist calculation debate was not nearly as conclusive as at first it seemed. Having questioned the socialists' understanding of economics, Mises

found his position undercut by sophisticated mathematical responses to the calculation problem, first from Enrico Barone and Vilfredo Pareto and later from Oskar Lange. Apparently, Mises 'wasn't himself as good an economist as he thought' (Eberling, 1993: 63). Lange impishly suggested that an appropriate memorialization would be a statue of Mises, to be erected in some future Ministry of Socialization (Lange and Taylor, 1938).

3. Anticipating a later strand of neoliberal critique, Mises had tended to elide the problems of socialist economics with those of central planning.
4. 'To none of us young men who read the book when it appeared', Hayek later recalled of Mises' *Socialism* (1951 (1922)), 'the world was ever the same again' (Hayek, 1992b (1956): 133). Appositely, he would later describe as 'shock therapy' his conversion to the free-market cause at the hands of Mises (quoted in Hoover, 2003: 282, fn. 93).
5. Mises gloomily reflected in 1940 that 'I set out to be a reformer, but only became the historian of decline' (von Mises, 1978: 115), 'If the "return to capitalism" is really out of the question, as maintained by socialists and communists, then our fate is sealed'. As one of his devotees recalled, the 1920s in Vienna represented, for Mises, a 'titanic', but ultimately unsuccessful, 'battle against statism and inflation' (Rothbard, 1993: 199).
6. As Milton Friedman recalled, 'Hayek comes out very badly in those letters, in my opinion. Keynes comes out like a kindly, generous uncle, while Hayek comes out like a very arrogant, self-centered young man, which he was' (quoted in Eberstein, 2003a: 357, fn. 13).
7. Hayek's (1935: 241–42) argument was that 'to-day we are not intellectually equipped to improve the working of our economic system by "planning" or to solve the problem of socialist production in any other way without very considerably impairing productivity. What is lacking is not "experience" but intellectual mastery of [the] problem'. His pessimistic conclusion, however, was that 'for many years the movement will continue in the direction of planning', thinking it unlikely that 'catastrophe be averted' (1935: 242–43).
8. Ironically, Hayek (1966) later recalled that the reason he never developed a comprehensive rebuttal of Keynes' *General theory*, apart from the fact that the Cambridge man was allegedly too prone to changing his mind, was that the book was a 'tract of the times', attuned to the monetary policy questions of the 1930s, rather than a serious work of economic theory. *Serfdom*, in this respect, was The general theory on steroids. Exhibiting a quite remarkable lack of self-awareness, Hayek (1983: 39) later sniffed that Keynes' 'main aim was always to influence current policy, and economic theory was for him simply a tool for this purpose'.

9. Although *Serfdom* had sold well in the USA, quickly going through several printings, Hayek had initially struggled to find a publisher. One rejected the book on the grounds that 'Professor Hayek is a little outside the stream of present-day thought, both here and in England', while another was unimpressed by the 'negative vein [which leaves] the reader without any clue as to what line to take on thought and policy' (quoted in Hartwell, 1995: 23). Finally, some strings were pulled at the University of Chicago Press.
10. Among the specific institutional innovations here was that of the corporate-funded free-market think tank, the genesis of which has been traced to an encounter in Hayek's office at the LSE in 1945. Carrying the copy of *Reader's Digest* that defined his life's mission, the recently demobilized Antony Fisher would get his new marching orders from Hayek, going on to found the Institute of Economic Affairs in London in 1955, the Fraser Institute in Vancouver in 1974, the Manhattan Institute in New York City in 1977 and the Atlas Economic Research Foundation in 1981, the mission of which is to propagate free-market think tanks across the world (Frost, 2002; Peck and Tickell, 2007).
11. The Colloque Lippmann was assembled to mark the occasion of the translation of Walter Lippmann's *The good society* into French (*La Cité Libre*). The delegates, which included Hayek, Mises and Wilhelm Röpke, also aspired to establish an international group dedicated to the revival of the liberal intellectual tradition – Le Centre International des Etudes pour la Rénovation du Libéralisme – but these plans were to be disrupted by the War (see Hayek, 1967: 199; Denord, 2008). The Lippmann seminar can be credited with hammering out one of the first working definitions of neoliberalism: prioritizing the 'plebiscite by means of prices', free enterprise, the system of competition and a 'strong and impartial state' (quoted in Mirowski and Plehwe, 2008: 27).
12. Three of the Freiburg professors at the first MPS meeting had been kidnapped by the Gestapo during the War. Their survival was regarded by their exiled colleague, Wilhelm Röpke, as a 'miracle' (quoted in Hartwell, 1995: 20). More recent commentators, while acknowledging the unique challenges of pressing economic-policy arguments under the Third Reich, have concluded that their survival was less than miraculous (see Nicholls, 1994; Tribe, 1995; Ptak, 2008). This might be seen as the first lesson in the subsequent neoliberal accommodation to authoritarianism.
13. It is notable that, for all that MPS would shun publicity relating to its own activities, the task of translating the emergent neoliberal project for public consumption was in Hayek's mind from the beginning. Delegates at the first meeting included a number of sympathetic journalists, including the legendary Henry Hazlitt – the foremost popularizer of Austrian economics in the USA and a confidante of Ayn Rand, who had recently moved from the *New York Times* to *Newsweek* – together with representatives from *Fortune* magazine, The Reader's Digest (Paris office) and Time and Tide (a London periodical, which had earlier employed George Orwell as a theatre critic). René Courtin, a Paris-based academic affiliated with Le Monde, would write to Hayek in 1948, 'Je suis persuadé que nous avons là la seule possibilité de créer un cadre pour le neo-libéralisme' (I am persuaded that we have the potential to create a framework for neoliberalism) (quoted in Hartwell, 1995: 84).
14. Röpke and Hayek ensured that 'the German question' was featured prominently on the agenda of the first MPS meeting (Nicholls, 1994).
15. Mises, however, would periodically dissent even from this view, although he was always more of a palaeoliberal than a neoliberal. The word that is most often used to describe Mises, in multiple accounts, is 'uncompromising'; even Hayek – for all his intellectual and personal debts – found him 'always a little doctrinaire' (quoted in Caldwell, 2004: 147). Mises' most ardent follower in the USA, Murray Rothbard (von Mises, 1978: 3), who would help found the libertarian Cato Institute, opting for activist-intellectualism rather than a university career, characteristically railed that the separation of church and state was necessary but not sufficient, the classical liberal revival called for a 'separation of the economy from the state'. Rothbard later founded the anarcho-capitalist movement and, later still, was a prominent supporter of Patrick Buchanan's bid for the US presidency in 1992.
16. An earlier draft (quoted in Hartwell, 1995: 50) had agonized over the same issues: 'The preservation of an effective competitive order depends upon a proper legal and institutional framework', the working version of the statement read, though the 'precise character' of this framework was characterized as 'an urgent problem on which continued exchange of views is required'. Similarly, 'As far as is possible, government activity should be limited by the rule of law. Government action can be made practical only when it is bound by fixed rules. Tasks that require authorities be given discretionary powers should therefore be reduced to the indispensable minimum'.
17. The 'abiding topics' at MPS meetings, according to Hartwell (1995: 224), have been: freedom, liberty, constitutions, the role of government, the welfare state, social security, monetary reform, taxation, supply-side economics policy, international economic relations and the trade cycle.

18. Hayek always believed that, in writing *The road to serfdom*, he had 'discredited himself' within the economics profession; Keynes, in contrast, would die less than two years' later, and would be 'raised to sainthood' (Hayek, 1994a: 143). If Bronfenbrenner's (1962: 74) view from the Chicago-School diaspora is anything to go by, Hayek was right: en passant, he invites his readers to consider the possibility that 'every decision against freedom need not (pace Hayek's *Road to serfdom*) lead inevitably, camel-nosedly, to the concentration camp and the gas chamber'. Hayek's ally, Frank Knight, provided a reader's report for the University of Chicago Press that questioned both the book's market and its theoretical foundations, remarking that there was 'little or no economic theory in the book' (Knight, 2007 (1943): 249).
19. In his efforts to bring Hayek to Chicago, Simons had encountered 'enormous opposition' from the economics department, Friedman recalled (quoted in Kitch, 1983: 189; see also Van Horn and Mirowski, 2008).
20. Mises, too, had required the assistance of the Volker Fund, along with other conservative foundations, to facilitate his position at New York University, an institution that 'tolerated his teaching', and his prickly individualism, 'provided it did not cost them a penny' (Sennholz, 1978: 156). Volker also funded the lecture tour that led to Milton Friedman's (1982 (1962)) *Capitalism and freedom*. A major benefactor of Hayek's work, the Fund was wound up in 1965, its remaining resources passing to the Hoover Institution.
21. In contrast to his professed sympathies with Simons' 'positive program' for laissez-faire, Hayek actively considered writing a rebuttal to Friedman's invocation of 'positive economics' (see Van Horn and Mirowski, 2008).
22. Milton Friedman once spent a year in Wisconsin, where he reportedly found the atmosphere of institutionalism 'oppressive' (quoted in Kitch, 1983: 171).
23. 'The way in which Friedman and other modern Chicagoans concentrate their attack on government interference with the market represents a major departure from the earlier Chicago position' of Knight, Viner and Simons, given the recognition amongst the latter that 'the actual market [was] far from ideal', along with the concomitant need to restrain corporations, ameliorate inequalities and socialize public-goods industries (Miller, 1962: 67). Miller identifies two Chicago schools, a more heterodox pre-second world war variant, and a vanguardist post-1950 one; Stigler (1988) maintains that there was simply no Chicago School, qua school, prior to 1950.
24. More formally, the nonaccelerating inflation rate of unemployment (NAIRU); see Wilkinson (2000).
25. Monetarism was later discredited in practice, most notably in the context of the Thatcher and Reagan experiments in macroeconomic (mis)management in the early 1980s, leading to a rare attack of circumspection from its originator. Friedman had never been fond of the 'unlovely label' anyway, but near the end of his life confided to the *Financial Times* that the theory's application 'has not been a success' (quoted in London, 2003: 12).
26. In his inaugural lecture at Freiburg, Hayek pledged to 'resume and continue the tradition which [Walter] Eucken and his friends have created at Freiburg and in Germany' (Hayek, 1967: 253). Eucken had died in 1950, while lecturing in London.
27. Erhard said that he 'devoured' Röpke's insights, 'like the desert the life-giving water' (quoted in Dietze, 1969: ix).
28. Erhard's actions were bold, to say the least. He was legally forbidden to modify the system of price controls without the explicit approval of the Allied authorities, but the regulations said nothing about the outright abolition of the regulatory regime. It was through this loophole that Erhard leapt, causing the Allied Commander, General Clay, to fume: 'Herr Erhard, my advisors tell me that what you have done is a terrible mistake', to which Erhard famously replied, 'Herr General, pay no attention to them! My own advisers tell me the same thing' (quoted in Bark and Gress, 1989: 202). To the contrary, of course, Erhard's Mont Pelerinian mentor, Wilhelm Röpke, not only supported the plan, he was, in effect, its joint architect. By any measure, this was a decisive moment. Three days later, the Russians established the Berlin blockade, in order to contain the effects of the currency reform, triggering the beginning of the Cold War (see Erhard, 1958; Nicholls, 1994). Erhard's bold intervention has been authoritatively evaluated as the 'most fateful event in the history of postwar Germany' (Bark and Gress, 1989: 202).
29. Nostalgic images of Switzerland are periodically invoked as the metaphorical destination point for German-style neoliberalism, particularly in the work of Rüstow and Röpke. Here, the decentralized economy is reflected in an idealized sociospatial structure – based on a robust network of rural and small-town economies; the notable absence of large cities reflecting the Ordo school's disdain for economic concentration of all sorts (see Oliver, 1960). Norman Barry (1989: 120) regards Röpke's invocation of the ideal of Swiss peasant society as 'romantic, not to say reactionary'.
30. He claimed that the social market economy was not a 'variety of Neo-liberalism' because it had

- 'grown from different roots', though at the same time he chose to define neoliberalism narrowly, in terms of the 'mechanical rules of competition' (Müller-Armack, 1965: 91). Earlier, however, he had conceded that, 'The advocates of a social market economy share with Neo-liberalism the conviction that while the functional importance of competition was recognised under the "Old Liberalism," nevertheless insufficient attention was paid to social and industrial problems. In contrast to "Old Liberals", Neo-liberals do not wish to restore a laissez-faire economy; their goal is a new kind of synthesis' (1989 (1956): 83).
31. He denounced the term 'social' as a 'weasel-word par excellence' (quoted in Ptak, 2008). 'I doubt very much whether anyone could really explain', Hayek (1967: 238) complained, 'what the additional of this adjectival frill is supposed to denote'. In slightly more conciliatory terms, he later reflected that 'I regret this usage [of the social market economy] though by means of it some of my friends in Germany ... have apparently succeeded in making palatable to wider circles the sort of social order for which I am pleading' (1976: 180). Erhard himself once attempted to explain his administration's use of the term to Hayek, maintaining that it did not mean that the market economy was itself intrinsically social, but that it 'needs to be made social' (quoted in Ebenstein, 2003a: 242).
  32. Rüstow would become an exile in Turkey, along with Röpke, though he later relocated to Geneva. Röpke was initially pursued by Nazi officials in an effort to broker a compromise with the incoming regime, though this was unsuccessful (Johnson, 1989; Tribe, 1995). Most of the Ordoliberalists kept the Nazi Party at arm's length, though Müller-Armack had joined the party in 1933. Prominent Ordoliberalists did not think highly of him, at least in terms of his grasp of economic theory, Eucken writing to Rüstow during the war that 'he was the sort of person who might', in other circumstances, 'have been a railway official rather than a professor' (Nicholls, 1994: 72).
  33. These sentiments were common to other continental variants of neoliberalism. French philosopher Louis Rougier, organizer of the Colloque Walter Lippmann, for example, equated Manchesterism to an antipathy even to basic rules of the road, with 'cars circulating in all directions, if such is their will, which can only result in traffic jams and incessant accidents; [to be a neoliberal, however] doesn't mean to be a "Planist," who gives every car its exit time and its route; it means to impose a highway code' (quoted in Denord, 2008: 6). However, the Foreword to the American edition of *Serfdom* characterized Hayek as 'belong[ing], with modifications, to the great Manchester line' (Chamberlain, 1944: v).
  34. And the 'detailed problems of economic policy, whether of agricultural policy, trade policy, credit, monopoly, or tax policy, or of company or bankruptcy law, are part of the great problem of how the whole economy, national and international, and its rules, are to be shaped' (Eucken, 1950: 314).
  35. Lutz rejects this claim as simple 'falsification of historical fact' (1989 (1956): 152). Contemporary commentators tend to agree that those Ordoliberalists who remained in Germany during the period of National Socialism did so by defending a fairly consistent position, occasionally at personal risk, while maintaining some distance from the regime itself (see Johnson, 1989; Nicholls, 1994; Tribe, 1995). However, it is also now widely acknowledged that the alleged association between the Ordoliberalists and the wartime resistance movement, a claim often recycled by conservatives, has been seriously exaggerated (Lehmbruch, 2001; Ptak, 2008). They did make contact with some elements within the conservative resistance, near the end of the war, but for the most part they stuck to more theoretical forms of freedom-fighting.
  36. 'All social, ethical, cultural and human values are more important than the economy, yet the economy must prepare the ground for their fullest development. For this reason the economy must not take on forms which are incompatible with these trans-economic values' (Rüstow, quoted in Barry, 1989: 108). Correspondingly, Walter Eucken traced the origins of Ordo thought back to the mediaeval period (Ptak, 2008).
  37. Mises' gung-ho pupil, Murray Rothbard, was a doctoral student in the Columbia economics department at the time. He and Polanyi did not get along.
  38. See, especially, Dalton (1968), Pearson (1977b), Stanfield (1986), Polanyi-Levitt (1990), Mendell and Salée (1991), McRobbie (1994a), McRobbie and Polanyi-Levitt (2000), Stiglitz (2001) and Block (2003).
  39. Rothbard read Polanyi's work as a paean to primitivism. In his stout defense of laissez-faire, Rothbard insisted that, 'Capitalism did not ... tragically disrupt, as Polanyi would have it, the warm, loving, "social" relations of pre-capitalist era. Capitalism took the outcasts of society: the beggars, the highwaymen, the rural over-populated, the Irish immigrants, and gave them the jobs and wages which moved them from destitution to a far higher standard of living and of work' (2004 (1961): 4). The founder of Austrian economics,

- Carl Menger, seems to have had a more nuanced perspective, at least in his 'lost' writings (Polanyi, 1977 (1957)).
40. In the mid-1950s, Mises became an advisor to the National Association of Manufacturers in Washington, DC, 'working with their laissez-faire wing which finally lost out to the tide of "enlightened" statism' (Rothbard, n.d.: 4). Even here, he was on the losing side.
  41. Mises (1944: 124) insisted that he did not mean to imply that 'the post-office clerk is inferior to anyone else', but rather highlight their status as victims of the 'strait jacket of bureaucratic organization'.
  42. From a Misesian perspective, the twentieth-century trajectory in US economics was marked by a 'grievous decline in the level of economic theorizing', the direction of which had been set by 'two unsound and decidedly non-Austrian economists, both of whom helped to form the "Chicago School"; Irving Fisher of Yale University, with a mechanistic quantity theory and an emphasis on the desirability of governmental manipulation of money and credit to raise and stabilize the price level; and Frank H. Knight of Chicago, with his stress on the desirability of the never-never land of "perfect competition" and his denial of the importance of time in the analysis of capital or of time preference in determining the rate of interest' (Rothbard, 1980: 22).
  43. And in this, at least, he had one thing in common with Polanyi (see Lewis, 1991).
  44. From the Chicago School, Stigler (1988: 167) tartly summarizes the span of the Austrian school from 1870 to 1930. On this count, Mises was intellectually 'homeless' for more than four decades.
  45. Murray Rothbard is widely acknowledged to be the founder of the anarcho-capitalist movement, and indeed, 'the most ideologically committed zero-State academic economist on earth' (North, 1988: 99).
  46. If Mises could have hung on for a further year, he would have also witnessed the long-anticipated bankruptcy of New York City, which produced a demented cheer from his dwindling band of followers, and an I-told-you-so from Milton Friedman (Rothbard, 1981; Friedman, 1983 (1975)).
  47. After Hayek in 1974 came Friedman in 1976, Stigler in 1982, Buchanan in 1986, Allais in 1988, Coase in 1991, Becker in 1992 and Vernon Smith in 2002. Of these, four attended the first MPS meeting, in 1947, and five were past presidents of the Society (Hartwell, 1995).
  48. 'It is perhaps difficult to realise today how little personal contact or intellectual exchange yet existed between the scientists of different countries [in the 1920s] ... Before the First [World] War, few of the leading economists had ever met face to face' (Hayek, 1992c (1963): 32).
  49. Similarly, the intellectual productivity of the Chicago School also derived, in part, from its marginal status: 'Innovation [came] from the fringe, not the mainstream. Simons, Director, and Coase were all professors of economics who did not find a comfortable place in their own fields. Chicago, not Harvard or Yale, was the leading innovator' (Kitch, 1983: 233; see also Dezalay and Garth, 2000).
  50. 'It is as though one poured sand into an engine and then hoped to start it up again by pouring in more sand' (Ropke, 1969 (1931): 31).
  51. 'Keynes brought to economics a new conception regarding the positive roles social and political organizations could play in promoting economic change, in eliminating crises and stimulating growth. He intended his conception to replace the older order, which held that natural laws governed social and economic activity, that these laws were not to be tampered with, and that governments could only deduce them and utilize them' (Boyer, 1985: 77).
  52. These include: (1) the market is the only source of innovation and it must be left alone if we want to accelerate technological change; (2) government will always spend money less productively than private citizens; this is why tax cuts are almost always a good idea; (3) regulations inevitably impose unfair, unnecessary and wasteful burdens on business firms; (4) private firms will always produce a good or a service more efficiently than the government; (5) it is wrong to regulate wages or executive compensation because markets always get prices right; and (6) government assistance always ends up hurting the people it is supposed to help (retrieved 3 October 2007 from <http://www.longviewinstitute.org/projects/marketfundamentalism>).
  53. Quoted from <http://www.longviewinstitute.org/projects/marketfundamentalism> (retrieved 3 October 2007).

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