

Classical Liberalism redefined?: The intellectual
origins and development of British
Neoliberalism 1929 - 1955

Elliott Banks

MA by research

University of York

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Abstract

Neoliberalism is often viewed as a global intellectual movement detached from the ideas and political economy of the individual nation-state. However, the origins of what has subsequently been described as neoliberalism were heavily based on the intellectual traditions of the nation-state. Early British neoliberalism drew heavily on the thoughts and ideas of British classical liberal philosophers and political economists to justify their arguments on why the economy should be free to operate under market conditions. British neoliberalism rather than being detached from the intellectual tradition of British classical liberalism embraced some core tenets with the early neo-liberal theorists seeking to update and modernise the classical pillars of the British liberal tradition whilst recognising the flaws of nineteenth-century laissez-faire liberalism and capitalism. The goal of this was to create a new type of liberalism and deliver a distinctive alternative to the prevailing collectivist movements of the 1930s and 1940s which would ultimately have influence in the 1970s and 1980s with the government of Margaret Thatcher and beyond.

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Declaration

I, Elliott Banks, declare that this thesis is a presentation of original work and that I am the sole author of this work. This work has not previously been presented for an award at this, or any other, University. All sources utilised in this thesis are acknowledged as References.

Classical Liberalism redefined?: The intellectual origins and development of British Neoliberalism 1929 - 1955

Neoliberalism is an intellectual and ideological concept which has generated a significant amount of academic debate since the ascendancy of several political leaders during the 1970s and 1980s. Their backgrounds were varied, the systems of government which they represent different ranging from autocracy to democracy but each one had a common trait; a belief in market liberalism - the process in which an economic system is governed by limited government control and allows market forces to guide the economy. The traditional historiographical narrative is that in the West, the election of Margaret Thatcher in 1979 and Ronald Reagan in 1980 saw both leaders elected with the goal of reversing the stagflation years of the 1970s to bring economic rejuvenation through deregulation, controlled monetary policy and privatisation. However, the narrative is broader and more diverse than just the Atlantic world. In 1975, the first 'neoliberal' experiment was established under the authoritarian dictatorship of General Augusto Pinochet in Chile¹ compared with the democracies of America and Britain. Pinochet, like Thatcher and Reagan, set about reducing government control over the economy by controlling inflation through monetarist ideas, developing private enterprise and selling off the state-owned industries and utilities. In 1978, Deng Xiaoping became the leader of Communist China and set about moving the country from a command economy of the Maoist era to the capitalist, industrial superpower that we see today. With these political leaders and the programmes which they pursued has meant that since the 1980s the term 'neoliberalism' has generated a considerable amount of academic literature to explain how this shift in global economic management came into being when in 1970 the mixed economy seemed so dominant; particularly in Western Europe and the United States.

This has meant that because of the recentness of the emergence of neoliberalism as a distinctive concept that the term itself has numerous interpretations and has evolved over time spurred on by academic discourse. Indeed, although the word itself can be traced back to the time period discussed in this thesis, the word only entered the academic mainstream in the late 1990s. In the 1970s, the majority of the ideas which would today be described as 'neoliberal' would have been charac-

¹ "The first country in the world to make that momentous break with the past—away from socialism and extreme state capitalism toward more market-oriented structures and policies—was not Deng Xiaoping's China or Margaret Thatcher's Britain in the late 1970s, Ronald Reagan's United States in 1981, or any other country in Latin America or elsewhere. It was Pinochet's Chile in 1975." Robert A. Packenham, William Ratliff. "What Pinochet Did for Chile" Hoover Digest, Hoover Institute, (1, 2007). <http://www.hoover.org/research/what-pinochet-did-chile>

terised as the ‘New Right’² and the word neoliberal would not appear, with political scientists, sociologists and commentators looking at the movement as a new, market-orientated version of the political right³. Indeed, an early analysis of what would now be recognised as neoliberalism for the Fabian Society was titled the *New Right: A Critique* and identified, one of the subjects of this thesis, the Institute of Economic Affairs as a ‘New Right’ organisation⁴. In the 1980s, most academics and commentators examining the ideological trends would refer to Thatcherism and Reaganism respectively, not neoliberalism. Neoliberalism has only become the accepted term when discussing these ideas in the last decade. Since then, the study of neoliberalism evolved into a interdisciplinary line of academic enquiry with sociologist, historians, political scientist and economists all writing about this important turn in global history which occurred in the late 1970s and 1980s. As well as the recent nature of the term ‘neoliberalism’ in academic discourse, the word also comes with a number of other caveats which should be taken into consideration given the complex nature of the debates around neoliberalism as a concept. One such caveat, which this thesis will explore is that those who were involved in the development of neoliberalism often would not use the term themselves. The term neoliberalism is something which has been retrospectively used to define the concept and the people who advanced its agenda. As such when we discuss neoliberal theorists it is through the framework of the academia explaining why these people and institutions are promulgated a new version of liberalism which is distinct to what came before. This creates two problems. Firstly, the retrospective nature of the term has meant that it is something which an individual is labeled with rather than describes themselves as, meaning that what the early individuals behind the ‘neoliberal’ movement in Britain call themselves is left to others, academics and public discourse, rather than what they considered the intellectual traditions of the movement. The second issue, is that it has led to a hostility to the concept of neoliberalism in general. This is because the term has taken on such political significance in modern Britain politics that the public discourse around the term is often partisan and at times counter-factual, particularly in popular histories and the media. Indeed, numerous articles and popular books have been published since the financial crisis of 2008 to denounce neoliberalism as the root of today’s societal ills with the term being used as a pejorative. The author and journalist George Monbiot is a good example of what the popular discourse on neoliberalism looks like and how the ideology is conveyed to the wider public. In Monbiot's *How We*

² David Green. *The New Right: The Counterrevolution in Political, Economic and Social Thought*, (Brighton: Wheat-sheaf Books, 1987)

³David Green, *The New Right: The Counterrevolution in Political, Economic and Social Thought*, (Brighton: Wheat-sheaf Books, 1987)

⁴ David Collard, *The New Right - A Critique*, (London: Fabian Society, 1968) 1.

Got Into this Mess? in 2016 and was followed up with an article in the *Guardian* newspaper, he denounces ‘neoliberalism’ as a corrupt and self-serving ideology⁵. Interestingly, Monbiot states that “The anonymity of neoliberalism is fiercely guarded. Those who are influenced by Hayek, Mises and Friedman tend to reject the term, maintaining – with some justice – that it is used today only pejoratively. But they offer us no substitute. Some describe themselves as classical liberals or libertarians, but these descriptions are both misleading and curiously self-effacing, as they suggest that there is nothing novel about *The Road to Serfdom*, *Bureaucracy* or Friedman’s classic work, *Capitalism and Freedom*.”⁶. Indeed, Monbiot’s analysis would suggest that neoliberalism has not got an intellectual tradition of its own, as Monbiot dismisses any suggestion that the thinkers who call themselves “classical liberals” or “libertarians” are not representing an intellectual tradition but instead creating an ideology divorced from any intellectual traditions. Monbiot is highlighting the exact issue and difficulty in defining neoliberalism as a coherent term with both the twin issues of retrospective application and hostility in popular discourse, ‘neoliberalism’ is used as something to brand someone with rather than an ideology which can have its strengths, weaknesses and inconsistencies in an intellectual sense. This is coupled with the plethora of definitions offered by academics and the highly interdisciplinary nature of the study of neoliberalism has created a deficit in the literature analysing the intellectual roots and development of neoliberalism.

Despite all the academic research generated and recent development in the past decade the term ‘neoliberalism’ remains a concept with no one definitive definition. The origins of the word are even disputed, some have suggested the first use of the term came from a Swedish Social Democrat writing in the 1920s⁷. A more likely origin of the term, when academics discuss neoliberalism in the sense of limited intervention and free markets, appeared at a conference held in 1938 in honour of the American journalist and liberal author Walter Lippmann and was coined by a German delegate at the meeting to denote the need for a new liberal revival⁸. However, defining neoliberalism has been largely left to academia, as mentioned with the evolution of academic analysis stemming from the New Right to Thatcherism to Neoliberalism over the past 40 years. Will Davies, a political economist, characterised the problems in defining neoliberalism as the result of the in-

⁵ George Monbiot. *How did we get into this mess?* (London: Verso, 2016). George Monbiot ‘Neoliberalism – the ideology at the root of all our problems’ *The Guardian*, 15 April 2016. Date Accessed 27/04/2017 <https://www.theguardian.com/books/2016/apr/15/neoliberalism-ideology-problem-george-monbiot>

⁶ Monbiot, “Neoliberalism: the root of all our problems” *The Guardian*, 15 April 2016

⁷ Philip Mirowski, and Dieter Plehwe, eds. *The Road from Mont Pèlerin : The Making of the Neoliberal Thought Collective* (Cambridge: Harvard University Press, 2009.)

⁸ Mirowski & Plehwe, eds. *The Road from Mont Pèlerin : The Making of the Neoliberal Thought Collective*. introduction

terdisciplinary nature of the term. Davies states that “The reason ‘neoliberalism’ appears to defy easy definition (especially to those with an orthodox training in economics or policy science) is that it refers to a necessarily interdisciplinary, colonising process”⁹. According to Davies, this means that a settled definition is difficult when neoliberalism intersects with other disciplines so readily. The anthropologist and geographer David Harvey, in his comprehensive study of neoliberalism defined neoliberalism as “[Neoliberalism is] in the first instance a theory of political economic practices that propose that human well-being can be best advanced by liberating individual entrepreneurial freedoms and skills within an institutionalised framework characterised by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices.”¹⁰. The sociologist Stephanie Lee Mudge went further describing neoliberalism as having three central ‘facets’ - the bureaucratic, political and intellectual which makes up the concept of neoliberalism¹¹. The Bureaucratic element, according to Mudge, is one based in the state functions of deregulation and market liberalisation, the political element is based on “a new market-centric ‘politics’—struggles over political authority that share a particular ideological centre or, in other words, are underpinned by an unquestioned ‘common sense’”¹². The final facet, according to Mudge, is the intellectual, which is the focus of this work, in which neoliberalism “is distinguished by (a) its Anglo-American-anchored transnationality; (b) its historical gestation within the institutions of welfare capitalism and the Cold War divide and (c) an unadulterated emphasis on the (disembedded) market as the source and arbiter of human freedoms.”¹³. Both Mudge's and Harvey's definitions of what neoliberalism is highlights the complex nature of this ideological doctrine which we seek to explain. For the purposes of this thesis, I have interpreted neoliberalism broadly in the form which David Harvey does, that economic freedom, characterised by free markets and free trade, is core principle and the state is there to provided the institutional framework to create and protect the conditions for individual liberty.

Despite the issues around the term itself, the development of neoliberalism and the subsequent historiographical research conducted is extensive. However, one area of research in the history of neoliberalism which is lacking is about the ideology's intellectual development within indi-

⁹ Will Davies ‘The Difficulty of Neoliberalism’ *Political Economy Research Centre* http://www.perc.org.uk/project_posts/the-difficulty-of-neoliberalism/

¹⁰ David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2007) 2.

¹¹ Stephanie Lee Mudge, “What is Neoliberalism?” *Socio-Economic Review*, Volume 6, Issue 4, 1 October 2008, Pages 703–731 <https://academic.oup.com/ser/article/6/4/703/1739555/What-is-neo-liberalism>

¹² idib

¹³ idib

vidual states and where neoliberalism fits within the intellectual traditions of individual states. Although Harvey, Mudge, Davies and Monbiot do discuss the intellectual origins its emphasis is more on the global rather than the national intellectual traditions of neoliberalism. This thesis seeks to explore the internal domestic development of British neoliberalism, to see how the early ‘neoliberals’ used domestic intellectual traditions to make neoliberalism adaptable to the United Kingdom. For example, British neoliberalism has little in common with the German experience of neoliberalism in the form of the *Soziale Marktwirtschaft* (social-market economy) and *Ordoliberalismus* as pioneered by Röpke and others¹⁴. However, the majority of academic discourse has focused on the core concepts which transcend national boundaries with little focus on the domestic intellectual traditions which feed into local neoliberalism. In recent years, this imbalance is starting to be redressed, Ben Jackson has written extensively in recent years on the development of neoliberalism in the domestic intellectual sphere¹⁵ but his account does focus largely on the politicians convinced by the doctrine. This thesis seeks to add to this developing area of the historiography by focusing upon the impact of British classical liberalism tradition in helping to form a distinctive brand of neoliberalism in the United Kingdom, which has formed the basis of my academic research.

The reason for examining the longer British tradition of classical liberalism and its subsequent influence on neoliberalism is to understand how this concept we now call neoliberalism fits into the intellectual traditions of nation. Great Britain has a long tradition of liberal thinkers in the economic sphere starting with John Locke, Adam Smith and John Stuart Mill, however, this longer tradition remains largely absent from discussions regarding the intellectual traditions of neoliberalism in Britain. Indeed, from the mid nineteenth century to the fall of the last purely Liberal Party government in Britain in 1915, the Liberal Party was a strong party of government, with its leader William Gladstone holding 4 separate ministries between 1868 and 1892. Furthermore, Britain had a considerable socio-political movement which supported Free Trade, one of the hallmarks of Neoliberalism in the post-war era although often referred to as trade liberalisation, which when mobilised saw the Liberal Party returned to power with a landslide in 1906 over the increasing demands within the Conservative Party for economic protectionism¹⁶. This longer background of both intellectual liberalism in the form of John Stuart Mill, Adam Smith and John Locke as well as the

¹⁴ Ralf Ptak ‘Neoliberalism in Germany: Revisiting the Ordoliberal Foundations of the Social Market Economy’ in Mirowski & Plehwe, eds. *The Road from Mont Pèlerin : The Making of the Neoliberal Thought Collective* pp 98-138

¹⁵ Ben Jackson, ‘At the origins of neo-liberalism: the free economy and the strong state 1930 - 1947’ *The Historical Journal*, 53, 1 (2010), pp. 129-151, ‘Currents of Neo-Liberalism: British Political Ideologies and the New Right, c. 1955-79’, *English Historical Review*, 131(551) (2016), pp. 823-50

¹⁶ Douglas, *History of the Liberal Party 1895 - 1970* (London: Sedwick & Jackson, 1971) 34-35

tangible political success of the Liberal Party meant that Britain had a tradition of liberalism which could feed into the development of neoliberalism in mid-twentieth century Britain and formulate into what we would recognise today as neoliberalism.

The starting point of this research was to look at the individuals and institutions which would be involved in creating the fledgling neoliberalism, which would rise to such dominance in the 1970s and beyond. Indeed, this thesis examines those who in later life would be called neoliberals perceived their own works and endeavours to revive 'liberal' economics in the era of Keynesianism and the post-war consensus. To this end, I found that many of the individuals who influenced the creation of many of the institutions now associated with the neoliberal counter-revolution such as the Institute of Economic Affairs or the Mont Pèlerin Society, were on the whole, members of the Liberal Party or associated with the London School of Economics before the Second World War. Indeed, the individuals this thesis will focus on, at different times between 1929 and 1956 played an important role in the intellectual development of neoliberalism in Britain. These individuals are Friedrich von Hayek, lecturer at the London School of Economics from 1931 and founder of the Mont Pèlerin Society in 1947, Lionel Robbins, Chair of the LSE's economics department and government advisor, Arthur Seldon, student at the LSE and future editorial director of the Institute for Economic Affairs and Elliott Dodds, Liberal Party member who held various Party executive roles including Party President. Other individuals who will be mentioned but not in as much depth within this thesis will be Ernest Benn, Liberal Party member and businessman who founded the Society for Individualists in 1942 and, Alan Peacock; Liberal Party advisor, IEA fellow and founder-member of the University of York's Economics department. Many of the individuals and institution which are to be discussed in this thesis would not have described themselves not as 'neoliberals' during this period but simply as classical liberals or liberals which would indicate that these individuals did not consider their writings or works to be divorced from the longer intellectual traditions of classical liberalism which already had a significant intellectual history within the United Kingdom. Indeed, most of the individuals discussed in this thesis sought to revive liberalism as political and philosophical concept especially F.A Hayek, as this thesis will show, consistently discussed the need for a liberal revival during the 1930s and 1940s.

This thesis is predominately a work of intellectual history, looking at the intellectual development of neoliberalism rather than its political consequences, however, at certain points the practical realms of politics will feature especially in discussions of the Liberal Party during the 1930s. One of the hypotheses of this thesis is that with the collapse of the Liberal Party in the 1930s due to internal splits, many of the individuals discussed in the preceding paragraph decided to pursue their

agenda outside the Liberal Party to convince opinion formers to engage with the ideas promulgated by the early neoliberals, particularly Arthur Seldon and Ernest Benn who both joined external groups outside the party dedicated to market liberalism. The methodological approach of this thesis will focus on the institutions and individuals themselves by explaining the writings of these individuals and highlighting and contextualising the crossovers between British classical liberalism and neoliberalism. This will assist to build up a picture of what these individuals are thinking and where their writings fit into the intellectual traditions of classical liberalism. The main section of this thesis will then look at the individuals and institutions aforementioned to see what ideas they held and how those ideas are linked to the development of neoliberalism in the interwar and post-war period. To do this, I have conducted archival research into the papers of these individuals particularly correspondence, government and committee papers and as well as published works such as Hayek's *Road to Serfdom* to examine the classical liberal ideas behind their writings. This archival research has been difficult as most of the papers particularly concerning the IEA and the Mont Pèlerin Society are held in the Hoover Institute at Stanford University, however, I have been able to use the extensive secondary literature around this subject to piece together gaps in the primary research. This will show that despite the global context to the formation of neoliberalism, through various domestic institutions, there is a longer intellectual tradition behind the arguments proposed by these individuals. This does not mean that the argument is the same in the *longue durée* of liberal intellectual history in Britain, but, that there are clear intellectual traditions at the basis of the early 'neoliberals' writings. Intertwined with this is what the individuals themselves did and how this assisted in the development of neoliberal ideology in Britain. This should build a picture of the intellectual dynamism in the early neoliberal movement that did not start after the war but before to develop into the fledging ideology which would ultimately be successful in overturning the dominant post-war consensus with the election of Margaret Thatcher in 1979.

I

The first two sections of this thesis are going to focus on the London School of Economics and the Liberal Party during the 1930s. During this period, the London School of Economics and certain sections of Liberal Party intersected heavily in the development of neoliberalism by seeking to refine and restate classical liberal principle which were prevalent in the British liberal tradition; particularly in the realms of economics. Due to the fluid nature of the development of neoliberalism during the 1930s, this thesis for the ease of analysis will focus on each institution in turn, starting

with the London School of Economics, which was the intellectual powerhouse behind the neoliberal movement but references to both will be made throughout this section.

The London School of Economics would seem an unlikely home for the early intellectual development of neoliberalism. The School was founded in 1895 by a group of Fabian Society members - Sidney and Beatrice Webb, George Bernard Shaw and Graham Wallas - with the aim to create an institution dedicated to the betterment of society¹⁷. The Fabian Society, as an institution, was on the progressive wing of late Victorian and Edwardian politics often taking a radical liberal or socialist stance on many social issues during the *fin de siècle*. Indeed, Sidney Webb, later Lord Passfield, was a radical liberal councillor on the London County Council in the 1890s¹⁸ but later, like many Fabians, became supporters of socialist ideology and the Labour Party. Many of this early generation of Fabians, like the Webb and Bernard Shaw were involved in the creation of the Labour Representation Committee, later called the Labour Party, in 1900. The Webbs believed in the eventual triumph of socialism as an inevitability, as such teaching at the LSE encompassed all variety of opinions even from its inception. However, the LSE's economics department stood out as a notable exception to the Webbs assumption. As Cockett, in his *Thinking the Unthinkable*, notes that "the Fabians probably believed all 'disinterested' and 'objective' academic research would lead any intelligent person down the path of collectivism and socialism... but this was not true of the economics department"¹⁹. By the 1920s, William Beveridge, a liberal who had helped devise the first welfare reforms during the 1906 Liberal Ministry, was the director of the LSE and the institution boasted a large number of academics from the progressive side of the political spectrum such as Hugh Dalton, future Labour chancellor and Harold Laski. However, in the Economics department, before the tenure of Robbins, the LSE economic department was dominated by Edwin Cannan. Cannan wrote a critique of economic nationalism and management called *An Economist's Protest* over the conduct of government during the Great War²⁰, he also authored a version of Adam Smith's *Wealth of Nations*. Keith Tribe notes that Cannan's belief, whilst old-fashioned in the 1920s, influenced his students considerably, notably Lionel Robbins and Arnold Plant²¹. This eclectic mix of

¹⁷ Ralf Dahrendorf *LSE: history of the London School of Economics and Political Science, 1895-1995* (Oxford, Oxford University Press, 1995) pp1-10

¹⁸ Dahrendorf, *LSE*, 5

¹⁹ Richard Cockett, *Thinking the Unthinkable: Thinktanks and the Economic Counter-Revolution 1931-1983* (London: Harper Collins, 1995) 29

²⁰ Keith Tribe, 'Liberalism and Neoliberalism in Britain 1930 - 1980' in Mirowski and Plehwe, *Road from Mont Pèlerin*, 78

²¹ Keith Tribe, 'Liberalism and Neoliberalism'.78

backgrounds and academic variety meant that the LSE was a diverse intellectual environment during the 1920s and 1930s, with no one prevailing ideology dominating the LSE's direction. As Ralf Dahrendorf points out the institution was not just created in a liberal zeitgeist but one in which contained numerous intellectual ideas with no one idea being dominant at the School²². In this context it is unsurprising that the birth of neoliberal ideas of state and economic management in Britain were born at the LSE, as the institution accommodated all intellectual and academic views relating to the realms of economics and political science due in accordance with its founders beliefs.

It was in this climate of intellectual plurality at the LSE where the early neoliberal movement developed its first academic and intellectual powerhouse in Britain. This situation came as a result of the leadership of Lionel Robbins, who was appointed Chair of Political Economy in 1929. Robbins was a convert to classical liberal economics, originally, like many of his age starting out as guild socialist in the traditions of the Fabian Society. However, during the Great Depression, Robbins became a fervent defender of classical liberal economics, as his academic career progressed. However, Robbins differed to many of his British contemporaries as he was interested in developments in continental economics and in particular he became increasingly influenced by the Austrian school. This was compared to the overwhelming dominance of Marshallian economics in Britain. The Austrian School of economics differed from the economic orthodoxy of classical and neoclassical economics in regards to the theory of value; the price at which goods and services are exchanged. To classical and neoclassical economists such as Ricardo and Marx, value is derived from the factors of production such as Labour, raw materials and, investment. Conversely Austrian School economists argue that the theory of value is subjective based on the prejudices, assumptions and preferences of an individual actor not just the factors or means of production which so obsessed earlier thinkers of political economy in Britain²³. As Israel Kirzner notes that "Ricardo and the current neoclassical economics exhibits a mechanical quality whereby human aspiration, human error and, human discoveries are downplayed, ignored or simply assumed away"²⁴. Ralph Raico summarises "Austrian economics begins with and constantly emphasises the action of the individual human being"²⁵.

²² Dahrendorf, *LSE*, 10

²³ David Green, *The New Right: The Counterrevolution in Political, Economic and Social Thought*, (Brighton: Wheatsheaf Books, 1987) 138

²⁴ Israel Kirzner in Ralph Raico, *Classical Liberalism and the Austrian School*, (Alabama: Ludwig von Mises Institute, 2012) 8-9

²⁵ Raico, *Classical Liberalism and the Austrian School*, p.7

This subsequently leads to other fundamental differences in methodology. The Austrian school focuses on microeconomics, looking at individuals and businesses rather than the increasingly popular ideas of Keynes during this period, which tended towards macroeconomics. This was the crucial difference between the two schools, which both Hayek and Robbins agree, is that looking at national issues such as full employment, national incomes and aggregate demand is misconceived as the levels of value are not constant, as Keynesian macroeconomics assumes²⁶. These tensions would become critical to the debates which Hayek, Robbins and others at the LSE would conduct with their rivals under Keynes at Cambridge. This interest in the Austrian school would have a profound impact on teaching at the LSE in the 1930s because of Robbins' decision to invite the Austrian economist Frederich von Hayek to come to teach at the LSE. This decision is highly significant to the development of British neoliberalism in the coming years on which this thesis is examining. Hayek was a well-known continental economist who had been under the tutelage of Ludwig von Mises, one of the father of the Austrian School, at the University of Vienna. Both Robbins and Hayek had met at Mises' *Privatseminars* in the early 1920s²⁷. It is with the appointment of Hayek to the Tooke Chair, which had been vacant since 1919, and Robbins' own interest in the arguments of the Austrian school that signified a break with the previous Marshallian tradition which had dominated economics in Britain since the late nineteenth century. Indeed, Cockett notes Robbins at the London School of Economics helped to bring continental ideas in economic theory to the United Kingdom, which may have been lost in significance²⁸.

It is this international element which does make many academics question whether a native neoliberal intellectual tradition can exist given the influence of external intellectual traditions on the formation of British neoliberalism. Hayek being a native Austrian as well as an Austrian school economist and Robbins as someone who examined and agreed with the Austrian school, would appear divorced from the principles of British liberal intellectual tradition, particularly in regards to the fundamental basis of classical economics espoused by Ricardo and Smith. However, when one examines the nature of the intellectual arguments behind the Austrian school, the picture becomes one of remarkable similarity. Both schools of thought, British classical liberalism and the Austrian school value the individual's liberty above all and are commitment to limited intervention within the market. Despite the ideological and philosophical differences between the various types of political liberalism, the main principle which unites the opposing strands is the primacy of importance

²⁶ David Green, *The New Right*, 140

²⁷ Mirowski and Plehwe, 12

²⁸ Cockrett, *Thinking the Unthinkable*, 27

which liberal theorists place on the concept of liberty. Indeed it is the main fundamental principle which is consistent across the intellectual tradition of not just British liberalism, but of western liberalism in general²⁹. In the British intellectual tradition of classical liberalism, the main interpretation of liberty and freedom is derived from concept of negative freedom, as opposed to positive freedom. The theory of positive and negative freedom which was proposed by the philosopher Isaiah Berlin in his 1958 inaugural lecture at Oxford³⁰ characterises two types of freedom, but, its influence stretches right through discussion of liberalism from the seventeenth century, with John Stuart Mill and John Locke taking the negative view of freedom³¹. Hayek himself would later note the negative freedom concept of the liberal tradition in his *Road to Serfdom*, which will be examined in greater detail later in this thesis.

This concept of negative freedom, which is seen in both British classical liberalism and the political economy of the Austrian school, is the concept that to be truly free and have liberty, as an individual or group, you must be free from obstacles to carry out your own actions. Put in its simplest terms, negative freedom takes liberty as a mere absence of obstacles, constraints and coercion; whereas positive freedom seems to require the presence of something such as control or regulation to enable people to be free³². This means that the individual must have self-determination and be free to carry out their own individual will without the threat or risk of coercion. With the premise of negative freedom, British classical liberal theory of state governance and economic management becomes one of limited intervention with the life of the private individual and of the market; as to intervene would impede the individual's liberty³³. Jeppe von Platz and John Tomasi in their analysis of economic liberalism draw the distinction that for classical liberals, economic liberties are basic liberties, which do not triumph over other rights "Thus, in classical liberalism, the economic liberties are not quite basic, since they can be regulated by reference to the underlying values – but in this the economic liberties are once again on a par with the other (more or less basic) liberties"³⁴.

²⁹Gerald Gaus, Shane D Courtland and David Schmitz, "Liberalism", *The Stanford Encyclopedia of Philosophy* (Spring 2015 Edition), Edward N. Zalta (ed.), URL = <<https://plato.stanford.edu/archives/spr2015/entries/liberalism/>>.

³⁰ Isaiah Berlin. *Two Concepts of Liberty*. (Oxford, 1958.) http://berlin.wolf.ox.ac.uk/published_works/tcl/tcl-a.pdf Accessed 14/06/2017

³¹ Ian Carter, "Positive and Negative Liberty", *The Stanford Encyclopedia of Philosophy* (Fall 2016 Edition), Edward N. Zalta (ed.), URL = <<https://plato.stanford.edu/archives/fall2016/entries/liberty-positive-negative/>>.

³² idib

³³ Gaus, Gerald, Courtland, Shane D. and Schmitz, David, "Liberalism", *The Stanford Encyclopedia of Philosophy* (Spring 2015 Edition), Edward N. Zalta (ed.), URL = <<https://plato.stanford.edu/archives/spr2015/entries/liberalism/>>.

³⁴ Jeppe von Platz and John Tomasi. "Liberalism and Economic Liberty." ed Steven Wall. in *The Cambridge Companion to Liberalism*, (Cambridge: Cambridge University Press, 2015.) 270.

Intrinsically linked to the concept of negative freedom and the place it holds in British classical liberalism is the emphasis which is placed on the individual, particularly in the realms of economics. The Austrian school similarly take the view that this individualism stems from the early liberal philosophers of the eighteenth century particularly Adam Smith and Jeremy Bentham in the realms of economic liberalism. The classical liberal argument is that a human being is a rational actor and as such holds their own self-interest at the core of their actions. The argument stems from the Utilitarian argument, developed by the British philosopher Jeremy Bentham in his *Fragments on government* (1776) and *Principles of morals and legislation* (1789) that man as a rational, self-interested being knows what is in their own best interest³⁵. This means that as a rational actor the individual determines what is in their best interests and what actions to pursue to create an improvement in general well-being and happiness. In the classical liberal theory of the state this is extrapolated from the individual to society as a whole utilising the idea that a collection of individuals know what is best for them compared with state action to intervene³⁶. This can be traced back to the father of modern economics, Adam Smith who explained value in terms of the division of labour and the cost of materials in his seminal book the *Wealth of Nations* (1776). Smith's argument, which many subsequent British political economists, philosophers and economists expanded and developed, the factors of production is where the value of the product comes, based purely in the rational nature of commerce and the argument of the 'economic man'. Smith writes that individual self-interest guides the actions of human beings within a market place. Smith sees the economy as a series of relationships operating in a market place generating a voluntary, contractual arrangement between consumers and producers, workers and employees which operates in accordance with the self-interest of individuals, creating an 'economic man' who operates out of self-interest³⁷. In the often quoted passage from the *Wealth of Nations* (1776), Smith states that 'It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages'³⁸. Indeed, Norman Barry notes that the ideal state of political economics in Austrian model would be the *Rechtsstaat*: a state governed and constrained by the rule of law meaning the state would be limited to the functions of a classical eco-

³⁵ Andrew Heywood, *Political Ideologies*, (London: Palgrave Macmillan,) 47

³⁶ Andrew Heywood, *Political Ideologies* 47

³⁷ Andrew Heywood, *Political Ideologies* 49

³⁸ Adam Smith, *Wealth of Nations*, ed Andrew Skinner (London: Penguin, 1999) 118-119

nomic “night-watchmen” role³⁹. This is the similarity between both intellectual schools. Hayek wrote extensively during his time at the LSE during the late 1930s about the role of classical liberalism and the state marrying the two positions in his *Road to Serfdom*, published still whilst at the LSE in 1944.

The combination of Robbins and Hayek at the LSE made a formidable intellectual partnership, with Robbins and Hayek complementing each other’s intellectual arguments. Robbins, in his 1971 autobiography, wrote that “Both in terms of intellectual companionship and academic collaboration I should find it difficult to overstate the stimulus and help which I derived from this relationship”⁴⁰. Hayek was equally complementary about Robbins, stating that “We were really a circle of close personal friends who got on well together... I could never have had the influence I did if it hadn’t have been for Robbins”⁴¹. This was what was so crucial to the revival of classical liberal economic thought in Britain, both Hayek and Robbins were intellectual kindred spirits, who believed in market solutions to the crisis and both understood the arguments of the Austrian school. Indeed, as Cockett notes, Robbins’ appreciation of the Austrian school went further than an understanding but unlike most of his contemporaries a belief that the Austrian argument was truly ‘modern economics’ unlike Keynes’ revolutionary ideas⁴².

It is perhaps unsurprising that Hayek and Robbins worked well together at the LSE given both their intellectual outlooks and the influence of the Austrian School on their thinking. Indeed, the partnership of Hayek and Robbins within the LSE caused concern amongst fellow staff. Beveridge writes that “[Harold] Laski denounces Robbins and his group of fanatical individualists for their resolute refusal to study the economic facts of today or permit any deviation from abstract reasoning on disputed premises”⁴³. The future Labour chancellor Hugh Dalton and LSE academic remarked retrospectively many years after he’d sponsored Robbins to the chairmanship that Robbins allowed variety in the economics department to disappear and instead be replaced by “a much more uniformed brand of right-wing economics”⁴⁴. With contemporaries noticing the change in direction of the department and the profound mutual respect between Hayek and Robbins helped to develop

³⁹ Norman Barry, *On classical liberalism and Libertarianism* (Basingstoke: Macmillan, 1986) p.78 - 79

⁴⁰ Lionel Robbins, *Autobiography of an Economist*, (London, Macmillan 1971) p.128

⁴¹ Hayek (Shehadi Transcripts, BLPES) in Howson, *Lionel Robbins*, p.206

⁴² Cockett, *Thinking the Unthinkable*, 27.

⁴³ Dahrendorf, *LSE*, 283

⁴⁴ Hugh Dalton, *Call back Yesterday: memoirs 1887 - 1931* in Dahrendorf, *LSE*, 213

this cluster of like-minded individuals around the LSE buildings in Houghton Street who would form the intellectual opposition to the advance of Keynesianism during the mid-to-late 1930s.

Once in Britain, Hayek wasted no time in tackling Keynes' theories. Hayek, first, went to Cambridge to deliver a talk to Keynes' followers at the Marshall society, which was met with silence following Hayek's talk rather than the spirited debate which usually greeted speakers to the society. The main argument Hayek proposed, contra Keynes, was that there is no link between aggregate demand and unemployment, which to the economists gathered was completely different to the arguments Keynes had proposed and would later expand on⁴⁵. Joan Robinson, who attended this lecture, described Hayek's first performance in Britain as a "pitiful state of confusion"⁴⁶. Hayek then went to the LSE to deliver a series of lectures which attacked Keynes' arguments. Indeed, Wapshott states that lectures provided the assembled LSE students and lecturers the first proper assault on Keynes's arguments. Wapshott writes "Here at last was a cogent, convincing repudiation of Keynesian interventionist notions. Hayek showed that the remedies coming from Cambridge, which appeared so plausible, were riddle with logical flaws"⁴⁷. Robbins, who had invited Hayek to deliver the lectures, was delighted. In his autobiography, Robbins writes the lectures were a success "partly for their revelations of an aspect of classical monetary theory which for many years had been forgotten"⁴⁸. Following the lectures and vote for Hayek to take the Tooke Chair, Hayek produced a scathing review of Keynes' newly published *Treatise on Money* in the LSE's *Economica* journal, with the encouragement of Robbins⁴⁹. This was published after the series of lectures delivered by Hayek at the LSE in which Hayek laid down the groundwork for his opposition to Keynes' theories regarding aggregate demand. Indeed, so ill-tempered was Hayek's review it led Keynes to complain that Hayek had "not read his book with an open mind that the author expects of a reader"⁵⁰. This review sparked what become known as the LSE/Cambridge debates, which continued both in print and verbally for much of the early 1930s.

⁴⁵ Nicholas Wapshott, *Keynes Hayek: The Clash that Defined Modern Economics* (London: W.W Norton & Co, 2012) 73

⁴⁶ Joan Robinson, "The second crisis of economic theory", *History of Political Economy*, vol 8, (1976.) 60

⁴⁷ Wapshott, *Keynes Hayek*, 77-78

⁴⁸ Lionel Robbins, *Autobiography of an Economist*, (London, Macmillan 1971) 127

⁴⁹ Robbins assisted in proof-reading and ordering Hayek's work as Hayek's written English was not good. Robbins being fluent in German was able to assist. Cockett *Thinking the Unthinkable* p.28

⁵⁰ Keynes in Dahrendorf, *LSE*, 283

Hayek's initial review of Keynes' *Treatise on Money* was scathing⁵¹, Hayek starts off by critiquing Keynes' adherence to Alfred Marshall, suggesting he is trapped in his thinking and thus blinkered to any other viewpoint. He continues to attack Keynes on this point, saying that Keynes had misinterpreted Austrian school economics, pointing frequently to Keynes's definition regarding savings and investments and his ignoring of the Austrian theory of capital⁵². Essentially, Hayek was critiquing Keynes's belief that savings and investments did not need to be in equilibrium, which was the cornerstone of his ideas on aggregate demand and its use in alleviating the financial crisis. Hayek, further attack Keynes on the complexity of his argument stating that "so highly technical and complicated that it must forever remain entirely unintelligible to those who are not experts"⁵³. Hayek was implying that Keynes's theories may sound plausible to those not trained in economics but to the expert are full of intellectual errors. This debate would continue for the next three years, but Keynes immediately responded to Hayek's initial criticism in *Economica* in the November edition. Indeed, Keynes' response to Hayek's critique is equally hostile. Keynes addresses Hayek's criticism regarding his theory of capital but immediately points out that Hayek has failed to state what Keynes' conclusions are. This then follows into a lengthy explanation of Keynes' capital theory, correcting Hayek at numerous points in his assertions whilst expanding on his own argument for increasing aggregate demand⁵⁴. Keynes digresses quite purposefully into a critique of Hayek's newly published *Prices and Production*, based on the lectures given at the LSE in the summer. Keynes writes:

"The book, as it stands, seems to me to be one of the most frightful muddles I have ever read, with scarcely a sound proposition in it beginning with page 45, and yet it remains a book of some interest, which is likely to leave its mark on the mind of the reader. It is an extraordinary example of how, starting with a mistake, a remorseless logician can end up in Bedlam"⁵⁵.

Keynes's retort, as one can see, was as equally ill-tempered as Hayek's initial article. Indeed, Hayek's response to Keynes' response was published in the same edition of *Economica* highlighting

⁵¹ F.A Hayek, Review of *Treatise on Money*, *Economica*, (Aug 1931) p.2

⁵² Wapshott, *Keynes Hayek*, p.88-94

⁵³ F.A Hayek, *Prices and Production*, p.426

⁵⁴ J.M Keynes, Prof Keynes Response to Prof F.A Hayek, *Economica*, (Nov 1931) p.287-294.

⁵⁵ Keynes, *Economica*, Nov 1931 p.294

the strength of feeling in this debate between the two different interpretations on how the economy works in theory and in practice⁵⁶. As this debate progressed, the two continued the debate both in the pages of *Economica* and through private correspondence. Indeed, in 1932, Keynes asked one of his disciples, Piero Sraffa, to continue with the debate which was no less ill-tempered and often highly technical⁵⁷.

A second strand of these debates revolved around the level of intervention within the economy. As Keynes moved towards the publication of his *General Theory on Employment, Interest and Money* in 1936, much of which had been discussed in the LSE/Cambridge debates, the idea of economics in terms of the whole economy was something Hayek rejected. The debate focused primarily around the extent to which government should interfere in the economic crisis through public works and government expenditure and often involved some highly technical discussions critiquing each other's methodological assumptions and prejudices on what was the cause of the present crisis. The importance of these debates, as well as the two men who conducted them cannot be overstated in importance. Although Keynesianism was not quite mainstream amongst the political class, except in his own Liberal Party, his ideas were gaining traction amongst intellectuals, the media and Westminster. Keynes served on numerous committees, such as the Economic Advisory Council - which continued after the fall of MacDonald's Labour government, as well as the Macmillan Committee on Banking and Finance⁵⁸. Keynes' theories, although still dismissed by the Treasury were gaining ground. Hayek, on the other hand, was defending the classical liberal orthodoxy which had by the early 1930s seemed to run its course. Cockett notes that many saw Keynes's ideas as the future from across the academic and political world, whereas, the economics proposed by Hayek and Robbins at the LSE was almost reactionary⁵⁹. Indeed, given the widespread mass unemployment during the early years of the depression, the political message behind adherents of classical liberal economics seemed to a wider audience as do nothing and wait for the market to return to equilibrium. This possibly would explain the success of Keynesianism in the 1930s, Richard Cockett notes that unlike Hayek and Robbins, who operated on conviction, Keynes was flexible and always looked for the 'politically possible' solution often to gain consensus⁶⁰.

⁵⁶ F.A Hayek, Prof Hayek's response to Prof Keynes. *Economica*, (Nov 1931)

⁵⁷ Wapshott, *Keynes Hayek*, 121.

⁵⁸ Susan Howson and Donald Winch, *Economic Advisory Council 1930 - 1939* (Cambridge: Cambridge University Press, 1977), Robert Skidelsky, *John Maynard Keynes - The Economist as Saviour 1920 - 1937: a biography* (London, Macmillan, 1992)

⁵⁹ Cockett, *Thinking the Unthinkable*, 53

⁶⁰ Cockett, *Thinking the Unthinkable*, 53

It is in this context that British neoliberalism starts to develop out of the older ideas of economic management. Keynes' new theories attracted many followers across the political divide, including Conservatives such as future Prime Minister Harold Macmillan, who famously called for a mixed economy in his 1938 work *The Middle Way*⁶¹. Keynes' theory offered a bold alternative to the argument that the economy will right itself which many in the treasury and the National Government believed in the early 1930s. Indeed, on an international level, classical economics, which Hayek to an extent represented was on the retreat in the 1930s. In the United States, under the Democratic President Franklin D. Roosevelt, huge increases in public spending were agreed to by Congress to finance public works schemes to get unemployed Americans back to work in his famous New Deal⁶². In Nazi Germany, under Adolf Hitler, the same process was taking place with huge sums of public money being spent on the construction of public works and rearmament. Hayek, conversely was defending an orthodoxy which to many in positions of power was increasingly impotent. Indeed, Keith Tribe, dismisses Hayek's argument as ahistorical harking to a time which only existed in the mid-nineteenth century and did not even survive the *fin de siècle*⁶³. However, although Hayek was seeming to defend an older idea of economic management, the point about the success of this defence is not in dispute, Keynesianism by the eve of the Second World War was winning the argument. However, Hayek was re-affirming an older commitment regarding the dangers of an over-reaching state, which first develops in the LSE/ Cambridge debates and then further in *The Road to Serfdom*. Indeed, the greatest success of the LSE/Cambridge debates would be realised not in the short term but in the *long durée* of the intellectual development of neoliberalism in Britain. The ideas which Hayek argued in his rebuttals of Keynes were taking hold at the LSE, just as Keynes's ideas had in Cambridge. Hayek at the LSE "reinforced the economic liberal tradition of the school, and his British colleagues learnt much from the Austrian School, which refined and buttressed their own liberal positions"⁶⁴. That reinforcement of classical economics, represented by the LSE/Cambridge debates, is ultimately the start of the process of this rebirth of classical liberal ideas on the economy which would be central to the development of neoliberalism in Britain.

⁶¹ Harold Macmillan, *The Middle Way* (London: Macmillan, 1938)

⁶² Alonzo L. Hamby, *For the Survival of Democracy: Franklin Roosevelt and the World Crisis of the 1930s*, (New York, Simon and Schuster, 2004). 415-418

⁶³ Tribe, 'Liberalism and Neoliberalism' 68-9

⁶⁴ Cockett, *Thinking the Unthinkable*, 30

However, it was not only Hayek who was the main force behind this development of the the LSE into a centre of economic liberalism. Robbins himself devoted a considerable amount of personal effort in counteracting the prevailing trend towards economic intervention. Robbins appeared on a number of BBC programmes defending the ideas of economic liberalism during the period and was involved in the same committee as Keynes, the Economic Advisory Council. However, the best expression of Robbins' views come from his 1934 work *The Great Depression*, in which Robbins restated the classical position that the market would correct itself without interference and that the policies of government were hindering the recovery by attempting reflationary policies thus failing to correct wages which therefore helped to maintain the high levels of unemployment⁶⁵. Indeed, on the genesis of the depression, Robbins points to the expansion of credit in the United States caused by Federal Reserve pushing the market into disequilibrium as the money supply outstripped savings. In a somewhat charged statement, Robbins infers that "It was not old-fashioned practice but new fashioned theory which was responsible for the excesses of the American disaster."⁶⁶. Indeed, Robbins' objection to government interference goes much further, in a telling paragraph, Robbins states "But "planning"— ah! magic word — who would not plan? We may not all be socialists now, but we are certainly (nearly) all planners. Yet, if planning is not a polite name for giving sectional advantages to particular industries, what does it denote but socialism—central control of the means of production?"⁶⁷. For Robbins, the planning advocated during the 1930s is to grant sectional advantage, in effect a monopolistic position to certain industries but it is sanctioned by the state. Indeed, Robbins devotes an substantial section of his work discussing monopolies. He states clearly that "Industrial monopoly, where it does not depend upon natural monopoly, is usually the by-product of Protection or a system of trademarks and patent legislation definitely inimical to competition."⁶⁸. Robbins like Hayek, as we will see later in this thesis, is concerned about the growth of monopoly which in classical economics is always to the detriment of society, as it distorts the market allowing a disequilibrium to exist. Indeed, Adam Smith first articulated the issue in the *Wealth of Nations*, in his discussions of mercantilism that when a duty or prohibition is placed on import, it conversely creates a monopoly in the domestic market⁶⁹. Smith notes whilst this may benefit the monopoly-holders, the examples which he cites are corn-growers, cattle rearers ect, it nega-

⁶⁵ Robbins, *The Great Depression* (London: Macmillan,1934)

⁶⁶ Robbins, *The Great Depression*, 54

⁶⁷ Robbins, *The Great Depression*, 145

⁶⁸ Robbins, *The Great Depression*, 189

⁶⁹ Adam Smith, *Wealth of Nations*, Book IV Chapter II ed Edwin Cannan, 1904.

tively effects consumers in the form of inflated prices. Robbins is citing a concern which was highly prevalent in British classical economics, the distortion of the market through state interference by trying to protect industry have created monopolies, in the form of protected industries focused on sectional interests.

Furthermore, as well as his concerns about industrial monopoly, Robbins examines the issue of free trade and calls for its restoration. Free trade is a concept in British classical economics, in which the argument was that goods and services should be allowed to cross borders with minimal customs duties (tariffs) or restrictions (quotas). Indeed, free trade was one of the cornerstone of classical liberalism in the British context. Free trade originated from the ideas of Adam Smith, who argued against the mercantilist system as mutual trade between nations would be beneficial to both. In the *Wealth of Nations*, Smith argued that "If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished ... but only left to find out the way in which it can be employed with the greatest advantage."⁷⁰ This was later expanded by the British political economist David Ricardo, in his *Principles of Political Economy* (1817)⁷¹ who like Smith advocated free trade but called the system comparative advantage, whereby one country, in his example Portugal has an absolute advantage in wine manufacture over Britain, because of climate, topography ect, but Britain has a comparative advantage in the production of cloth, which Portugal can make but at a greater cost; as such it is mutually beneficial for Britain and Portugal to trade this comparative advantage. It was this reasoning which became the basis for economic thinking in nineteenth century Britain. However, Britain did at the time still have relatively high protective tariffs, particularly on grain. This is when free trade migrated from a point of academic enquiry to political issue. In 1820, Thomas Tooke organised a petition by merchants calling for the abolition of the Corn Laws and the introduction of free trade, this was subsequently blocked by the administration of Lord Liverpool. In the meantime, the rural landowning class, who would have the most to lose from repeal galvanised behind the Tory Party. Conversely, the urban merchants and workers supported the Whig party. By the 1840s, the debate was still going on, two radicals, Richard Cobden and Joseph Bright, argued for greater economic prosperity, the market like the individual should be free by founding the Anti-Corn Law League in

⁷⁰ Adam Smith, *Wealth of Nations*, Book IV, Chapter II 'Of Restraints upon the Importation from Foreign Countries of such Goods as can be Produced at Home' ed Edwin Cannan (London: Methuen & Co, 1904)

⁷¹ David Ricardo, *On The Principles of Political Economy and Taxation*, ed Hartwell, R. M. (Harmondsworth : Penguin 1971)

1838 to specifically campaign against the high tariffs designed to protect domestic producers. Cobden argued that by liberating trade between nations that general prosperity and wellbeing would improve. Cobden remarked during the campaign to repeal the Corn Laws that only the Corn Laws stood in the way of four general improvements in Britain:

“First, it would guarantee the prosperity of the manufacturer by affording him outlets for his products. Second, it would relieve the 'condition of England question' by cheapening the price of food and ensuring more regular employment. Third, it would make English agriculture more efficient by stimulating demand for its products in urban and industrial areas. Fourth, it would introduce through mutually advantageous international trade a new era of international fellowship and peace. The only barrier to these four beneficent solutions was the ignorant self-interest of the landlords, the 'bread-taxing oligarchy, unprincipled, unfeeling, rapacious and plundering.’”⁷²⁷³

To Cobden and his later supporters, like Lionel Robbins, free trade came to symbolise liberal principles in practice. The economy, when free, could provide people with a better standard of living, employment and prosperity as opposed to the vested interest of tariffs and subsidy. As a committed free trader, Robbins believes that the most efficient form of management of trade policy is free trade, as it maximises and raises the real incomes based on a system of competition between states. Robbins notes quite succinctly that “The ideal trade policy of a State planned to raise to a maximum the real incomes of its members in all these formal respects would exactly resemble the trade policy of economic liberalism.”⁷⁴. Robbins is utilising the ideas of Smith, as well as Cobden and Bright by drawing the link between prosperity and free trade which was one of the cornerstone of political classical liberalism in Britain.

However, Robbins goes on to highlight that the erection of tariff barriers is already underway, and that in a world of planned economies, economic nationalism would form regional groups eliminating competition leading to the detriment of the individual. Indeed, Robbins’ vision, whilst somewhat over-exaggerated was partially based on the fear that the liberal economic order in terms of globalised trade was being eroded, as steadily throughout the 1930s, governments responding to

⁷² David Ricardo, *On The Principles of Political Economy and Taxation*, ed Hartwell, R. M. (Harmondsworth : Penguin 1971)

⁷³ Asa Briggs, *The Making of Modern England 1783–1867: The Age of Improvement* (London: Longmans, 1959) 312–25

⁷⁴ Robbins, *The Great Depression*, 158

the economic crash resorted to protectionism in the form of tariff. Robbins wrote that “A world in which the movement of goods, of money and of people, is restrained and impeded by national organisation is a world in which the achievement of the international ideal, whether on Socialist or Liberal lines, is more distant even than it is at present.”⁷⁵. Robbins is envisaging a world in which economic nationalism, another concern of the early neoliberal movement in Britain, has hindered the free exchange of goods, capital and even labour across borders. Indeed, this liberalisation of trade would become one of the ideas closely associated with neoliberalism, not just in Britain but globally, but this idea was born out of the British classical liberal tradition which Robbins defends in the Great Depression.

Robbins’ work sold well and was reviewed in a good light even by those who disagreed with him. Howson notes that several reviewers noted hints to Hayek’s trade cycle, however, Robbins responded that his argument was not particular Austrian, having been first discussed by the English economist D.H Robertson⁷⁶. Indeed, Robbins central point in the *Great Depression* is exactly what would become a trait of British neoliberalism in the post-war era and in Hayek’s *Road to Serfdom*, that planning and intervention always leads to distortion and unintended consequences. Indeed, Keith Tribe points out that Arnold Plant had devised a similar argument during the 1920s, drawing on the economic principles he had learned from Edwin Cannan, regarding racial discrimination in the American South and South Africa, as poor whites sought to disadvantage blacks through political means to extract a form of rent⁷⁷. Throughout the 1930s, Robbins and Hayek would continue to stress the importance of classical economics, with Hayek engaged in the LSE/Cambridge debates and Robbins conducting his own rebuttals, the two men were vocal critiques of planning and state intervention.

The arrival of Hayek in Britain, Robbins being appointed chair of the Economics Department and the start of the LSE/Cambridge debates all contributed to the intellectual development of neoliberalism in Britain. This was the most important result of these three separate events combined to assist in creating the academic powerhouse for the development of neoliberalism in Britain. Under Robbins leadership, the economics department of the LSE became the primary intellectual institution for classical liberal economic thought within Europe. As Cockett notes “The relationship between Hayek and Robbins was to become crucial to the development of a school of economic liberalism in Britain during the 1930s and 1940s, just as their works were to make its economic depart-

⁷⁵ Robbins, *The Great Depression*, 159

⁷⁶ Howson, *Lionel Robbins* (Cambridge: Cambridge University Press, 2011) 270.

⁷⁷ Tribe, *Liberalism and Neoliberalism in Britain*, 80

ment the outstanding centre for economic liberalism in Europe”⁷⁸. Tribe notes that “LSE economists stood out for clarity with which they linked the economics they taught to liberal ideas”⁷⁹. This centre of economic liberalism was crucial to the development of neoliberalism as these ideas could have been lost in Britain if not for the formidable partnership of Hayek and Robbins. With Keynesianism become increasingly popular, especially after the publishing of the *General Theory*, the LSE stood out against the growing calls for ‘collectivisation’ and economic planning. It was this opposition to planning which gave the early neoliberal theorists their great cause for concern which would be continued throughout the period, advocating non-state solutions to economic management.

The primary result of this ‘centre’ of economic liberalism was the influence of its teaching on future undergraduates and countering Keynes’ increasingly popular narrative. This new generation of undergraduates at the LSE would not only be influenced by the teaching of Hayek and Robbins but also by other influential classical economists such as Sir Arnold Plant, who specialised in business administration at the LSE⁸⁰. One such undergraduate whom this thesis will examine at further points is Arthur Seldon, the future editorial director of the Institute of Economic Affairs. Seldon, born Arthur Slaberdian, was born in humble beginnings to Jewish parents in London’s East End. This profoundly affected the young Arthur, in his early years, he recalled cheering the Labour candidate aged 8 and was interested in the ideas of socialism⁸¹, but by his late teens became a committed classical liberal. Indeed at sixth-form, before he joined the LSE, Seldon wrote an essay on *Laissez-Faire v. Economic Planning*, he remarks that ‘I believe laissez-faire is still the best policy for the world and that State planning with prices and interference in any industry but natural monopolies... must lead to chaotic results’⁸². Seldon continues with his attack on socialism’s outlook, he wrote:

“I find now that my opinions were based on sentiment and snobbishness - on the observation of the conditions under which some of the less fortunate members of society lived. The study of economics has not only exposed the fallacy of the absurd opinions which I once

⁷⁸ Cockett, *Thinking the Unthinkable*, 25

⁷⁹ Tribe, *Liberalism and Neoliberalism in Britain*, 78

⁸⁰ Tribe, *Liberalism and Neoliberalism in Britain*, 78

⁸¹ Arthur Seldon, *The Collected Works of Arthur Seldon*, vol. 1 p.85 [2004]

⁸² Arthur Seldon quoted in Colin Robinson, *Arthur Seldon* (London: Profile Books, 2009) 17

held, but has even prejudiced me against my former political friends. The study of economics has been the cause of my moving to the Right. Will I change again? I wonder...'⁸³

Arthur Seldon joined the London School of Economics in 1934 and immediately became involved in the life of the department. Under the tutelage of Robbins, Hayek and Plant, Seldon excelled at the LSE, gaining a first class degree in economics. Seldon would write in later life about the debt which he owed the LSE economics department. Seldon returned to the LSE for his postgraduate degree and later worked as a research assistant to Arnold Plant and it was this education which laid the groundwork for Seldon's later career as the editorial director of the most influential think-tank of the 1970s, the Institute for Economic Affairs. Seldon, when he spoke of the LSE said "I graduated by National Insurance and state education to the LSE. There I read voraciously Lenin, Laski, Strachey, Dalton but was more influenced by Robbins, Plant and Hayek"⁸⁴. This was the strength of the LSE during the 1930s, producing undergraduates who would become sympathetic and oppose the prevailing Keynesian doctrine and the subsequent democratic socialist policies of the Attlee administration after the Second World War. As more and more opinion-setters such as politicians, the media and academia were turning increasingly towards interventionist solutions to the economic crisis of the 1930s, the LSE stood as a centre of classical economic liberalism in its teaching and academic output which was developed consciously by Robbins and assisted by Hayek. This teaching and academic programme would prove invaluable to the development of British neoliberalism and its institutions in the post-war era.

II

The second institution which assisted in developing the neoliberalism in Britain was the Liberal Party, however, the party was a shadow of its former strength during the early decades of the twentieth century. The party left power in 1922 following the Conservatives abandoning the coalition with Lloyd-George which had governed following the Great War. By 1929, the three main parties, The Conservatives, led by Stanley Baldwin, Labour, led by Ramsey MacDonald, and the Liberal Party led by David Lloyd George all had very different ideas on how the country and the economy should be run. The Conservatives, the incumbent government, ran on the policy of 'Safety First' essentially accepting the economic orthodoxy of the post-Great War world and continuing with sim-

⁸³ Arthur Seldon quoted in Colin Robinson, *Arthur Seldon*, 18

⁸⁴ Arthur Seldon, *Capitalism*, 18

ilar policies which had come before. The Labour Party ran on a platform of social democracy: better welfare payments, assistance for the unemployed, state intervention in industry following the broad ideas of democratic socialism. The Liberal Party, however, ran with a new type of economic theory proposed by the Liberal economist John Maynard Keynes titled “*We can conquer Unemployment*”. Keynes’s theories, and now Liberal Party proposals, argued for increase public expenditure to finance public works to create employment. This would then reduce the burden on the state welfare budget, increase employment and generate a fiscal stimulus for the economy. The Liberal proposals were by far the most radical offered to the electorate in 1929 and highlighted a wealth of talent which the Liberal Party hoped to showcase with “*We can conquer Unemployment*”. Indeed, the official Treasury copy of “*We can conquer unemployment*” had written on the cover “Extravagance. Inflation. Bankruptcy”⁸⁵. However, despite the three very different ideas of economic management on display, no party won an overall majority. The Labour party took the most seats and formed a minority government, with a confidence and supply arrangement with the Liberal Party⁸⁶.

This situation became radically different following the Wall Street Crash in October 1929, and the subsequent crash in the European banking system, starting with collapse of CreditAnsalt in Austria in 1931. By the summer of 1931, the economic situation overwhelmed the Labour government, financiers in the City of London were withdrawing huge quantities of Gold - as Britain had returned to the Gold Standard in 1925 - meaning that the value of the pound was overinflated and did not match the gold price. In one month, the UK lost 25 per cent of its gold reserves. MacDonald’s government was informed by the Governor of the Bank of England that the only solution to ease the market pressure was to reduce government expenditure particularly unemployment benefit. The cabinet was split 11 to 10 and MacDonald resigned as Prime Minister, as he no longer carried the support of his party. However, King George V requested MacDonald form a coalition of national unity to sort out the economic crisis. MacDonald formed a coalition with the Conservatives, Liberals and a rump of Labour. However, Liberal Party did not enter the 1931 election as a united party. Firstly, many Liberals were concerned over the Conservative Party’s support for protectionism, and as such campaigning under the National Government banner seemed to the historic defenders of free trade an anathema. The party managed to gain a concession that it would stand on the National ticket but on a separate manifesto committed to free trade, the Liberal Party subsequently left the National Government in 1932 over the issue. The second, more important issue was a split which

⁸⁵ ‘We Can Conquer Unemployment’: The cover of Lloyd George’s 1929 proposals on unemployment, as defaced in the official Treasury copy. (T 175/26) in Peter Clark, *The Keynesian Revolution in the making 1924-1936* (Oxford: Clarendon Press, 1988) p. frontispiece.

⁸⁶ Trevor Wilson, *The Downfall of the Liberal Party 1914-1935*, (London, Collins, 1966) 355-357.

had begun to emerge within the liberal ranks. The Samuelite Liberals, who were the bulk of Liberal MPs and the official Liberal party, led by the party leader Herbert Samuel, were committed to free trade but agreed to join the coalition. The Lloyd George liberals, mostly from his family grouping and centred around North Wales, opposed coalition and stood separate from the National Government in opposition. The final grouping led by Sir John Simon, supported tariffs *in extremis* and decided to break away under the Liberal National banner, formalised into the Liberal National Party and join the Conservative benches from 1931⁸⁷. This meant that by 1932 the Liberal Party was in weakened state racked by divisions within its own ranks, and when the Samuelite liberals left the National Government over tariffs, the Liberal National MPs did not rejoin their colleagues and instead stayed in government with the Conservatives. The National Government went to the polls to request a “doctor’s mandate”- to do what is necessary to fix the economy and subsequently received the largest mandate in parliamentary history with 554 seats in the House of Commons.

The *Ownership for All* committee was called following the Liberal Party’s further decline at the 1935 election. The new leader Archibald Sinclair was more sympathetic to the ideas of Dodds, and used the rhetorical flourish ‘ownership for all’ in a number of speeches but the detail of what this meant was left to the Ownership for All committee. The committee was formed under Dodds’ initiative by proposing a motion at the 1937 Liberal Conference in Buxton regarding property distribution and called for the formation of a special committee to look further at the issue⁸⁸. The committee, chaired by Elliott Dodds himself was predominantly staffed by Liberal activists who had practical rather than academic expertise⁸⁹. However, this did not mean that the committee did not have any academic expertise. The London School of Economics contributed significantly to the input provided to the committee. Lionel Robbins corresponded with Dodds during the writing of the committee’s report providing practical advice for policy suggestions. Indeed, Susan Howson notes that in December 1937, Robbins attended a weekend meeting of the committee regarding agricultural land ownership, which provided a considerable amount of evidence for the committee⁹⁰. In addition to his appearance at the Ownership for All committee, Robbins also corresponded with Elliott Dodds on numerous other policy issues which the Ownership for All committee examined. Indeed, one such letter dated the 28th of October 1937, Robbins provided a paper by Chicago economist Henry Simons, as well as discussing profit sharing. Peter Sloman speculates that this was Si-

⁸⁷ David Dutton, *Liberals in Schism: A History of the National Liberal Party* (I. B. Tauris, 2008)

⁸⁸ Peter Sloman, *The Liberal Party and the Economy 1929 - 1964* (Oxford: Oxford University Press, 2015) p.122

⁸⁹ Sloman, *The Liberal Party and the Economy*, 122

⁹⁰ Howson, *Lionel Robbins*, 317

mons *Positive Case for Laissez Faire* (Chicago, 1934) but either way Dodds found the work ‘a tremendous lot of use’⁹¹. In addition to Robbins, the young Arthur Seldon, a recent LSE graduate and member of the LSE Liberal Club served as the committee’s paid secretary with the responsibility of drafting the committee’s reports, including the final report⁹². Arnold Plant, Seldon’s mentor at the LSE, also advised the committee but chose not to be named⁹³. This shows not only the interconnected nature of intellectual collaboration during this period between political parties and academic economics but also the link between the London School of Economics and the Liberal Party in the formation of British neoliberalism, with Robbins, Dodds and Seldon all interacting on this one party committee in 1937.

The committee which assembled would produce a document which was radically different to the Yellow Book written in 1929 and the subsequent election campaign fought by the Liberal Party. The document mounted a systematic defence of British classical liberal doctrine and was designed to create a distinctive liberal alternative to socialist interventionism. The sixty-six-page report contained a significant amount of policy but what was more important is the ideas and statements behind simply policy announcements. In the abridged version of the report, the committee outline what the purpose of property is in society. The committee write that “Property is something “proper” to a man. It enables him to live his own life and develop his own individuality. The man who possesses “a bit of property” has something to fall back on in bad times, and is not compelled to take the first job that offers.”⁹⁴ This argument is based on the British classical liberal ideas about property being the safeguard of civil society. The argument is that property is the guarantor of the individual, by noting that the owners of property have an insurance against poverty as they have something to utilise in times of strife. The report goes further stating that property has a role in guaranteeing that a person’s individualism is maintained. The report states that the individual “(He) can think freely, act freely, vote freely, without fear of the consequences. He is neither a cog in the industrial machine nor a pawn on the political chess-board. He is his own master.”⁹⁵ This directly links the idea of private property, and property in general, to a wider point about the Liberal world view. Property is the guarantee that the individual cannot be harassed or control as they are in

⁹¹ Sloman, *The Liberal Party and the Economy*, 123

⁹² Robinson, *Arthur Seldon*, 56-57

⁹³ Sloman, *The Liberal Party and the Economy*, 123

⁹⁴ Ownership for all: the Liberal Party Committee's report on the distribution of property, summarised by the chairman (Elliott Dodds) JOSEPHY 16/23, LSE Archives. Date Acquired 23/3/17. 2.

⁹⁵ Ownership for All, 2

charge of their own lives through property. The committee goes on to point out that those without property are at risk stating “Conversely, the concentration of ownership in the hands either of a small class or of the State denies the ordinary man his right to be a man and makes him a slave, not a citizen”⁹⁶. This idea that property is the guarantor of freedom for the individual is a theme which is present throughout the document. Indeed, the committee goes much further than simply restating the classical liberal idea that property is important, the Ownership for All committee goes on to point out the political situation in continental Europe to highlight the problem with societies with large numbers of dispossessed people. The committee writes that only “The widespread ownership of property is the firmest guarantee against dictatorship. A large propertyless class forms a standing menace to democracy, for the multitude of dispossessed offer a ready prey to the demagogue and the dictator, while the small class which owns is prone to turn to fascism in fear of losing its possessions.”⁹⁷. This idea that only with property ownership can demagoguery and dictatorship be stopped highlights the Liberal fears of their own time with an increasing number of countries turning to the ideas of fascism and communism. The report states that; “The revolutions on the continent provide proof of this. In Russia the peasants had “nothing to lose but their chains”. In Italy and Germany the middle classes were nearly ruined, and the condition of the working-classes was pitiable. It was this that gave the dictators their chance, for nations in such a plight are ripe to barter liberty for livelihoods”⁹⁸.

This statement is interesting because of the context of the time, the Bolshevik Revolution of 1917 and Fascism and Nazism rise in Italy and Germany respectively had created competing systems to generate prosperity which were in opposition to the liberal world view of individualism and property-ownership. This point mattered to the Liberal activists serving on this committee. If continental Europe could fall to dictatorship, then without radical redress Great Britain could go the same way. Contextually, in Britain, approximately 40,000 people were members of the British Union of Fascists, founded by Sir Oswald Mosley, in 1932⁹⁹ and the owner of the Daily Mail, Lord Rothermere ran the headline ‘Hurrah for the Blackshirts’¹⁰⁰. On the other side of the political spectrum, the Communist Party of Great Britain managed to get a member of parliament elected in the

⁹⁶ *Ownership for All*, 2

⁹⁷ *Ownership for All*, 3

⁹⁸ *Ownership for All*, 3

⁹⁹ Andrzej Olechnowicz, "Liberal Anti-Fascism in the 1930s: The Case of Sir Ernest Barker" in *Albion: A Quarterly Journal Concerned with British Studies*, (Vol. 36, No. 4, Winter, 2004), p. 643.

¹⁰⁰ Lord Rothermere, ‘Hurrah for the Blackshirts’, *Daily Mail* (January 15, 1934)

1935 election and strike agitation increased significantly. Indeed, even with stories of brutality emerging from the Soviet Union under Josef Stalin, British socialists such as Beatrice and Sidney Webb (now Lord Passfield) praised Stalin's Russia as a worker's utopia in their book *Soviet Communism: A New Civilisation?* (1935)¹⁰¹. Richard Overy, in his work *The Morbid Age*, notes that during the interwar years 'the notion that capitalism was in a state of physical, possibly fatal decay became embedded in the popular perception of the economic system'¹⁰². Liberalism, conversely, to the dynamic forces of communism and state corporatism was seen as a dying ideology. In 1935, George Dangerfield wrote his *The Strange Death of Liberal England* which stated that the Liberal Party had died before the First World War. Although largely discredited now, when published the thesis was widely read. In addition, given the internal divisions in the Liberal Party during the 1920s between Asquith and Lloyd George, and the subsequent split in 1931 between the Liberal Nationals, led by Sir John Simon, and the main Liberal Party of Herbert Samuel, the party struggled with unity and discipline. This situation became more heightened after 1929, when more people became unemployed particularly in Northern England, South Wales and Scotland. The 1930s became as A.J.P Taylor described the 'devil's decade'¹⁰³ characterised by mass unemployment, hunger marches, declining industry and poverty which became the hallmarks of the decade for much of Britain's urban working class and unemployed. In 1932, over 3 million were unemployed with unemployment in many of the traditional staple industries - coal-mining, shipbuilding, textiles and steel manufacture - could run in excess of 25 per cent of the workforce¹⁰⁴. Indeed, the often-quoted northern shipbuilding town of Jarrow, nearly 70 per cent of the workforce was unemployed by 1935 when the town's major employer Palmers Shipyard closed¹⁰⁵. Unemployment was not just confined to the depression years of the 1930s, as since the end of the Great War in 1918, unemployment in Britain never dropped below 10 per cent of the working-age population¹⁰⁶.

It was this situation that the Liberals serving on the Ownership for All committee sought to address. With unemployment so high and most of the country not owning property, the plan of the Ownership for All committee was to address this imbalance to prevent the slide towards totalitarian-

¹⁰¹ Beatrice Webb and Sidney Webb, *Soviet Communism: A New Civilisation?* (Edinburgh, R. & R. Clark, 1935)

¹⁰² Richard Overy, *Morbid Age*, (London: Penguin, 2010) 53

¹⁰³ A.J.P Taylor, *English History 1914 - 1945*, (Oxford: Oxford University Press, 1968)

¹⁰⁴ In Lancashire, the historic home of the UK's textile industry, 25% of those previously employed in the textile industry were unemployed.

¹⁰⁵ TO Lloyd, *Britain 1906 - 1992: Empire, Welfare State and Europe*, 305

¹⁰⁶ Unemployment between the Wars

ism. The committee writes that “Where the mass of citizens, on the other hand, possess a stake in their country, the basis of society, being just, will be stable; the habit of independence will in general, and dictatorship will not be tolerated. A real democracy can only be made of “free men with vested rights in their own living” (Walter Lippmann, *The Method of Freedom*, p.112)”¹⁰⁷. This last statement on the importance of a property owning democracy in reference to an individual's stake in society is highly important. The two sections discussing the broad outlines of the committee’s work relate directly to the importance of property to classical liberal ideology. This statement of philosophical guidance at the beginning of the Ownership for All committee’s report highlights the influence of British classical liberalism in forming British neoliberalism. The idea of property as the guarantor of a society’s freedom is derived from the seventeenth century philosopher John Locke and his *Two Treatise on Government* (1690)¹⁰⁸. Locke argued that the original state of man was based upon subsistence. The individual cultivates the land, builds shelter and lives a subsistence-based life. As mankind developed, communities formed, however, despite the original state of man being based on subsistence that does not stop another individual from trying to dispossess you of your property through war, conquest or theft. Locke’s thoughts on property extends to both physical property and an individual’s labour stating that “every Man has a Property in his own Person. This no body has any Right to but himself. The Labour of his Body, and the Work of his Hands, we may say, are properly his.”¹⁰⁹. Locke’s basic argument is that as man became more developed, mankind then began to organise into communities; to administer the relationships between individuals the State formed providing societal structures underpinned by the rule of law and private property. For Locke, the ideal state is where individuals give tacit consent for government to exist and that the government’s role is the preservation of private property, defence of the realm and administration of law¹¹⁰. Locke’s system is based on the rationalism of the individual that they will abide by the system writing "The freedom [then] of Man and liberty of acting according to his own will is grounded on his having reason, which is able to instruct him in that law he is to govern himself by, and make it know how far he is left to the freedom of his own will"¹¹¹. He goes on to say without the rule of law and freeing man from the rule of law would actual cause harm to the individual as they would have no defence for their property which civil society provides once the post subsistence advance-

¹⁰⁷ Ownership for All Committee,

¹⁰⁸ John Locke, *Two Treatise on Government*, ed Rod Hay (Hamilton, Canada: McMaster University, 2000)

¹⁰⁹ John Locke, *Two Treatise on Government*, ed Rod Hay (Hamilton, Canada: McMaster University, 2000) 185

¹¹⁰ Alan Haworth, *Understanding the Political Philosophers* (London: Routledge, 2003) p117

¹¹¹ Locke, *Two Treatise* p.211

ment has been reached¹¹². Similar to the thoughts of some Austrian school economists such as Von Mises, Locke's assertion that private property is a natural right to be earned is at the bedrock of his vision for society. The Ownership for All committee therefore continues this tradition of seeing private property as the cornerstone for a free society which was a significant aspect of British classical liberalism.

Once the philosophical premise of the *Ownership for All* committee was established, the committee went on to propose several solutions to alleviate the economic problems of mid-twentieth century Britain. The committee produced sections on inheritance and landed wealth, however, one section which a significant proportion of the document was dedicated to is monopolies. The committee expresses their displeasure with the system of monopolies which exist in Britain, some of which were government mandated¹¹³. Although, the committee does accept that in certain circumstances natural monopolies, monopolies which form naturally because competition within that market would likely to lead to inefficiency and duplication of resources, exist such as in the case of gas and electricity distribution and production, it is essential that this should be mixed with private enterprise where possible¹¹⁴. Although this does sound like significant intervention, which subsequent post-war neoliberals such as Milton Friedman and Hayek would decry, at this time this was considered a sensible policy. Indeed, in the *Road to Serfdom* published less than a decade after this report, Hayek is not opposed to the welfarism advocated by Beveridge or Keynes, so long as checks and balances are provided in the system. Indeed, the committee does state in the succeeding paragraphs that "It should be borne in mind, however, that control tends to spread easily from one industry to another, that it may involve serious abuses in other spheres and that it may create more evils than it cures."¹¹⁵ Meaning that all this intervention must be done gradually and with restraint.

This attack on monopolies forms the basis of what the Liberal Party would do specifically to alleviate the crisis. The committee attacks the "official Monopolies" designated by the state such as the Iron and Steel Federation, an industry which is protected by high tariffs during the economic crisis. Indeed, the committee notes an article by the Manchester Guardian that states that the ISF has "a potential stranglehold on the home market"¹¹⁶ due to these tariffs. The committee also notes that this has effected other industries which have been grouped together for the benefits of tariff

¹¹² Locke, *Two Treatise*, 211-12

¹¹³ *Ownership for All* p.5

¹¹⁴ *Ownership for All* p.5

¹¹⁵ *Ownership for All* p.6

¹¹⁶ *Ownership for All* p.8

protection or special measures. The committee condemns this practice calling the cartelisation of industry by stating that “the most sinister kind of monopolies, however, are ‘artificial’ or ‘official monopolies’”¹¹⁷. In their attack on monopolies, committee also examines the agricultural sector and the need for economic competition. According to the committee, the official estimates for subsidies to the agriculture sector totalled £34 million, with estimates as high as £60 million¹¹⁸. Following on from this the committee goes on to criticise the National Government’s decision to create the Agricultural Marketing Boards, as designated by the Agricultural Marketing Act 1931 and expanded in the subsequent Agricultural Marketing Act 1933. The agricultural marketing boards were producer-controlled bodies set up by statute to regulate the marketing specific goods. This was then coupled with the 1933 act which enabled marketing schemes to provide for qualitative regulation of producers’ sales of their products and provided for regulation of imports of agricultural commodities¹¹⁹. Both of these acts subsequently, coupled with the general import duties, as specified by the Import Duties Act 1932, increased the cost of food and the state’s control over the marketing of food. The Ownership for All committee were damning about this decision and the subsidies provided under the act. The Committee wrote: “The fact is that, under this regime of government-engineered monopoly, Britain is fast becoming a corporatist state, and unless the nation turns to the Liberal Party, the only alternative will be complete State Socialism”¹²⁰.

However, the Committee’s first proposal to solve the issue with corporatisation of the British economy was to call for the restoration of the old liberal mantra of Free trade. The committee wrote “As the first and fundamental step towards breaking this type of monopoly, we urge the restoration of Free Trade and the abolition of quotas and other restrictions.”¹²¹. The theory behind free trade has already been discussed in relation to Robbins earlier in this thesis. However, it cannot be understated the role free trade played in the psyche of the nation as it was not just an intellectual argument for the betterment of society but a political religion for many in Britain, particularly in the Liberal Party. Keynes himself - an ardent free trader until 1931 when he advocated tariffs¹²², remarked that in the 1930s that “I was brought up, like most Englishmen, to respect free trade not

¹¹⁷ *Ownership for All* p.8

¹¹⁸ *Ownership for All* p.8

¹¹⁹ R.C Hinton, The Agricultural Marketing Act 1933, *Journal of proceedings of the Agricultural Economics Society*, May 1934 Volume 3, Issue 2 p70-81

¹²⁰ *Ownership for All* p.8

¹²¹ *Ownership for All*, 3-4

¹²² Cambridge University: King’s College Archives Centre, JMK M/2/110 - 111, *A Policy for National Reconstruction* (May 1930)

only as an economic doctrine... but almost as a part of the moral law”¹²³. Indeed, when free trade came under attack in 1903 by Joseph Chamberlain, a member of the Unionist Government of Arthur Balfour, calling for tariff reform, the subsequent campaigning by both sides became increasingly heated. By the general election of 1906, the Conservative Party was in open civil war over the issue of tariff. Winston Churchill, the Conservative MP for Oldham, crossed the floor and joined the Liberal Party after fiercely rejecting the arguments in favour of protectionism. The Liberal Party, conversely, were united behind the mantra of free trade. The party’s campaign that year focused entirely on free trade advocating the same argument Cobden had done in the 1840s that free trade made everyone more prosperous, with posters of the era showing shops full of low price items for consumers¹²⁴. The Liberal Party went on to win the 1906 election by a landslide securing 400 seats¹²⁵. This theme continued for the Liberal Party throughout the interwar years advocating that the maintenance and subsequent restoration of free trade was economically imperative. This was no different with Dodds’ Ownership for All Committee and remained a consistent feature of Liberal Party politics throughout the interwar period. Indeed, the committee write that “Concealed taxation, we suggest, should be abolished altogether, and also all protective taxes, and the effort should be made to reduce the revenue duties on foodstuffs, with the ultimate view of establishing “a free breakfast table”¹²⁶. What free trade represented was not just an economic argument but a moral one that society will be better off if trade barrier are removed. This trade liberalisation became a focus of the ‘free market’ economy of post-war Britain and the early neoliberal movement in Britain with the same argument being re-interpreted for modern audiences by linking prosperity to the free market.

The Ownership for All committee’s policy solutions, derived from this principle of free trade, went further when discussing the monopolistic practices aforementioned. The Committee attacked the agricultural marketing acts and called for the corporatisation of industry to cease. The committee write “we recommend the repeal of the relevant clauses of the Agricultural Marketing Acts. Thirdly we propose that price fixing (except in the case of propertied articles) should be made illegal; and also have measures designed to close an industry against new entrants.”¹²⁷. The attack

¹²³ JM Keynes, “National Self-Sufficiency,” *The Yale Review*, Vol. 22, No. 4, (June 1933), 757.

¹²⁴ Appendix 1 shows a selection of election posters utilised by the Liberal Party in the 1906 General Election. The Posters show how under a free trade system, the working man is better off due to the accessibility of cheap goods. The three posters show a variety of the core arguments many of which would have been recognisable to Cobden, Smith and Ricardo. Full references are provided in the appendix.

¹²⁵ Douglas, *History of the Liberal Party 1895 - 1970* (London: Sedwick & Jackson, 1971) 34-35

¹²⁶ *Ownership for All*, 9

¹²⁷ *Ownership for All*, 11

on the corporatist nature of the UK economy, under the National Government protected by tariffs, is based on this belief in free trade as the driver of prosperity, which was the same arguments being advanced by the economists, like Robbins at the London School of Economics during this period. Although, the idea of free trade had been a defining factor of the Liberal Party throughout its history, this reaffirmed commitment to the idea of economic internationalism would become a defining argument of the neoliberal movement arguing for a more open economy during the era of state-owned enterprises brought in by the Attlee government following the War.

However, the *Ownership for All* committee whilst sharing significant similarities with British classical liberalism was not a report based on continuity. The committee reported on the methods to assist those without property. In a section titled the Propertyless Three Quarters, the committee argued that the key to economic growth was individuals. This was an age in which most people in Britain did not own their own property and in the context of the Great Depression the committee attempted to address this imbalance. The committee identified that the monopoly of property and the concentration of ownership was a significant cause of the mass disenfranchisement of individual property ownership. Indeed, the committee remarked that “Once the present tendency towards monopoly and concentration is reversed, men will feel that the wind of freedom is blowing again. The paralysis of proletarianism will be broken, and the workers will begin to think of themselves less as a class foredoomed to the status of “hands” and more as citizens with a stake in the concerns in which they work and with the chance to achieve competence”¹²⁸. The committee saw that the disenfranchisement of the majority of citizens as issue to create a more equal society and that socialism’s attraction was based on the redistribution of wealth from vested interest. This concern that the mass of citizenry is reduced to the role of hands is detrimental to society and, as mentioned before, based on the British classical liberal idea of individuals having a ‘stake’ in society because of their ownership of property. The committee suggests that “In a country where a large number of comparatively small businesses flourish, a country where an increasing number of persons own small property, there will be a new sense of opportunity for everybody.”¹²⁹ By attacking monopolies, the committee believes this will assist in unlocking mass property ownership allowing a greater diversity of ownership for individuals. Indeed, although the idea presented is redistributive this document differs from the redistribution envisioned by socialism. Socialism and socialist policy during this period, as represented by the Labour Party, sought to redistribute wealth through increase taxation on the wealthy and the nationalisation of large industries such as shipbuilding and

¹²⁸ *Ownership for All*, 11

¹²⁹ *Ownership for All*, 11

coal-mining to redistribute wealth to the less fortunate and create a more equal society. It is the last point, however, where the Ownership for All committee differs from classical liberalism and socialism. The call for nationalisation which was advocated by the Labour Party's constitution in 1918 is a transfer of power from private interest to public ownership, however, although the industry is to be run in the name of the collective, the individual has little power in this system as the ultimate control of those industries is with the state thus meaning that power and the crucial 'stake' in society that property-ownership provides is mitigated by the state and held by a higher authority in the common good. Conversely, the British classical liberal tradition is one of limited intervention. As mentioned previously, classical liberals would only traditionally legislate if the individual is at risk such as the Factory Acts of 1833 banning young children from working, whereas, British classical liberalism of the nineteenth century in Britain would be unconcerned with the extent of property ownership and would not legislate to change this fact, preferring to focus on the ideas of self-help as the response to poverty. This is where the truly radical nature of the Ownership for All committee comes in, the fact that the committee is concerned with the propertyless three quarters is due to the blend of classical liberalism and Edwardian 'New' Liberalism, evident in the Liberal Party during this time, with its redistributive elements, comes into the ideas the committee espouse. Indeed, Edwardian 'New' Liberals had attempted to introduce a land value tax, as envisaged by Henry George - an American journalist and land reform campaigner - in the 1909 People's Budget to finance social welfare policies. This tax was subsequently removed from the final budget bill following a constitutional crisis which led to the Liberal Party won but costing them most of their majority gained at the 1906 election in the two elections in 1910¹³⁰. However, Georgism and the idea of greater access to land was a cornerstone of Edwardian 'New' Liberalism, and indeed received widespread support with the Liberal campaign song, *The Land* heard at political rallies up and down the country during the crisis with its rallying cry "Why should we be beggars with the ballots in our hand, God gave the Land for the People!"¹³¹. By attacking the government monopolies of the Iron and Steel Federation, as well as the Agricultural Marketing Boards, the committee is identifying the root cause of the problem and their proposed solution of setting up anti-trust boards, similar to the United States, and breaking up the 'official' government monopolies created by the National Government. These policy proposals are consciously designed to create a distinctive Liberal alternative to the ideas of socialism, the corporatism of the National Government and the inaction of classical

¹³⁰ Peter Sloman, *The Liberal Party and the Economy*, 26-7

¹³¹ Andrew Whitehead, *BBC Witness on the Liberal Land Song*, (BBC World Service, Tue 11 May 2010 - 23:50) <http://www.bbc.co.uk/programmes/p007g9yj> Accessed. 1st Dec 2017. Appendix II has the full lyrics to the Song as taken from the Liberator Songbook.

liberalism. Indeed, the attacks on the monopolies of the 1930s and the solution of breaking them up is an early form of the privatisation and deregulation which came to characterise not just post-war neoliberal institutions such as the Institute for Economic Affairs but the Thatcher Government of the 1980s.

This theme of departure from older ideas continues in the concluding sections of the committee's report, in the penultimate section *This is Not Laissez-Faire* the committee is consciously distancing itself from the older classical liberalism, whilst using many of the intellectual arguments of British classical liberal tradition to justify their points. The committee writes that:

“This policy is not one of laissez faire. Quite the reverse. It would involve determined, and even drastic, State action at numerous points. Such action, however, would not take the form of Government control or management except possibly in the case of certain “natural” monopolies, or provide services which private enterprise cannot, or does not supply.”¹³²

It is in this penultimate section that the Committee is seeking to distance itself from the idea of laissez-faire capitalism by highlighting that, at certain points, state action is necessary. However, the committee goes on to argue that the point of this interventionism by the state is for the state to create the conditions in which a free economy can flourish:

“Its main objects would be to create the legal structure in which a free economy can best function; to see that the market is efficient and honest; to outlaw restraint on trade; to break down unjust and artificial privileges; to preserve the national resources, and secure that they are used to the best advantage; to maintain and expand the social services; and to “place before all the opportunities of a full life hitherto only open to the rich” (Resolution of Liberal Party Assembly, May 29th, 1937)”¹³³

To the Ownership for All committee, the state is only to intervene to create the conditions for the economy to correctly function. The removing of restrictive practices, tariffs and official monopolies as detailed throughout the policy section of the Ownership for All committee's report is designed to remove the artificial barriers erected by both the laissez-faire capitalist system and the State. The committee emphasises this fact by stating that “the Liberal view is that it is the function of the State

¹³² *Ownership for All*, 15

¹³³ *Ownership for All*, 15

“to create the conditions of liberty” (f.n Preamble to Liberal Party constitution); but not to direct the economy or attempt do what individual citizens can do much better for themselves and for the country”¹³⁴. Although, the committee distances itself from the concept of Laissez-Faire, the argument it proposes is that the state is there as the facilitator of the ‘free economy’ by creating the legal framework for individuals to be at liberty to direct their own economic choices. The document concludes with a statement by the Ownership for All committee which ties the strands discussed in this chapter together. The committee argue:

“The real issue is the conflicts which rend the world to-day is simple - is the individual citizen to be regarded as a person: or is he to be treated as a dot on a chart, a number in a regiment, a cog in a machine? One the one side stands the various collectivist or quasi-collectivist systems - Fascism, Communism, Socialism, “Planned” Capitalism. On the other stands Liberalism. The State, it proclaims, exists for the individual, not the individual for the State. Personality is the supreme value. Property is an extension of personality - a bulwark of freedom, an indispensable instrument of self-direction. In defiance, therefore, of the prevailing trend, we raise the banner of “Ownership for All” and call on all who care about human liberty and dignity to follow”¹³⁵.

It is these two sections which draw together the intellectual argument of the Ownership for All committee. The committee’s focus on the classical liberal ideas of property-ownership, the individual as the key, free trade and, the rule of law all represent continuity in Liberal thought which the committee was trying to continue. However, the practical proposals and the solutions presented in this report represented a break from the classical liberal tradition of laissez-faire, represented by the Liberal Party in the mid-to-late nineteenth century. Dodds and the committee uses the core tenets of classical liberalism as the intellectual bedrock on why the committee is advocating not only for a restatement of liberal values but how liberalism can bring about a freer economy. From John Locke, and later Hayek, in his *Road to Serfdom*, the rule of law is of paramount importance to the order and structure of society and that it is the responsibility of the law not only to protect private property but to also govern the system which the Ownership for All committee espouses. In addition, the concept of liberty and individual freedom is again constant throughout the report of the Ownership for All committee, the individual is still regarded by the committee as the most important aspect but that

¹³⁴ *Ownership for All*, 15

¹³⁵ *Ownership for All*, 16

legislation can assist in creating the necessary conditions for an individual's freedom to be best served. Indeed, this legislating to create the conditions of a 'free economy' is not inconsistent with classical liberalism and British neoliberalism too maintained this fact. As Jeppe von Platz and John Tomasi note "Classical liberals have not been hostile to regulating economic agency, if it turns out to better serve the good of society, as we have already noted regarding the threat of monopoly"¹³⁶ indicating that although classical liberalism places individualism and economic liberty at the centre of its conceptualisation of the state and the economy, classical liberalism does allow for some intervention within the economy within its own theoretical framework. This ideological underpinning in the belief of in the individual based on negative freedom and the ability to make rational choice based on their own economic interest, in the case of Smith and, happiness, in case of Bentham is at the core of British classical liberal discussions about the role of the state and the individual. This means that the Ownership for All committee should be seen as a distinctive document which blends the British classical liberalism with the ideas that in the post-war era would be the arguments promulgated by British neoliberal thinkers such as Ralph Harris, Arthur Seldon and Alan Peacock calling for the restoration of the principles of the free economy in the post-war world.

III

Following the German invasion of Poland in 1939, the government immediately began to gain control over more section of economic and social life in Britain. This was because the management of resources and the means of production became crucial to the total war effort. As a result of the total war: rationing was introduced, factories and private property was commandeered by the state and, labour was directed centrally in aid of the war-effort. On the Home front, dance halls and cinemas were closed for public safety, Church bells were silenced, a blackout was introduced and, restrictions on water usage came into effect. This was a unique situation for a unique time and the level of control over economic and social life was the highest experienced by the British people since the Great War. However, the vast majority of the public supported the government's intervention as for many who had struggled during the 1930s received assistance through rationing. Indeed, the public mood was reflected well in the Beveridge Report or *Report on Social Insurance and Allied Services* into social welfare. Beveridge, who had left the LSE in 1937 to become Master of University College, Oxford was commissioned by the wartime government to conduct an enquiry into social

¹³⁶ von Platz, Jeppe, and John Tomasi. "Liberalism and Economic Liberty." Chapter. In *The Cambridge Companion to Liberalism*, ed by Steven Wall (Cambridge: Cambridge University Press, 2015) 266

deprivation in Britain. The report proposed a social insurance system to tackle the five giants of poverty: want, idleness, squalidness, ignorance and disease. The report advocated numerous solutions to solving these five giants of social deprivation including increases to old age pensions, maternity payments and, a social insurance system to fund those out of work and the creation of a National Health Service. Beveridge, who was involved in the early 1906-1914 liberal reforms and a product of the Edwardian 'New' Liberalism, argued that tackling these social issues would lead to a better life following the conclusion of the War. Indeed, the Beveridge report largely became the blueprint for the Attlee administration, with the National Insurance Act 1946, National Health Service Act 1946 and National Assistance Act 1948 all inspired by Sir William Beveridge's report.

The increasing acceptance of state interventionism amongst the British political class did cause alarm amongst those who had opposed such arguments in the 1930s. In the Conservative Party, a leftward shift was being formulated led by individuals such as Lord Hailsham and Harold MacMillan, who wrote *The Middle Way* in 1938 calling for a mixed-economy with state and business working together. This shift in the younger generation of Conservative MPs meant that following the War, the economic and social interventionism of the Labour administration was tacitly accepted by the Conservative governments of Churchill, Eden and Macmillan in the 1950s. However, not all people were enthused with this shifting attitude. Arthur Seldon, who was still involved in the Liberal Party following his work on the Ownership for All report, published *The Drift towards the Corporate State*. *The Drift towards the Corporate State* was published by the Liberal Party Organisation, the central body of the party's executive in 1941. The main premise of Seldon's argument was similar to what the Ownership for All committee had decried in 1937, the corporatist nature of the British economy in the form of monopolies. Seldon believed this process was being accelerated by the war and that the policy of official monopolies was now being advocated as a model for the post-war world. Seldon wrote "the tendency in the 1930s to the formation in many basic industries of joint monopolies of employers and workers for the exploitation of consumers"¹³⁷. For Seldon, just as he had discussed when writing the Ownership for All committee's report was that individuals are left without choice because of the official sanctioning of monopolistic industry, sanctioned by the state. Indeed, Seldon warned about the potential dangers of this corporatist practice in terms similar to Hayek's *Road to Serfdom*. Seldon argued that "It is the corporatist system of industrial organisation, which is incompatible with parliamentary democracy; it is the British variant of what in Italy is called Fascism"¹³⁸. Seldon's link between increasing planning and with fascism, similar

¹³⁷ John Meadowcroft, Jaime Reynolds 'Liberals and the New Right' *Journal of Liberal History*, 45 (2005) 47

¹³⁸ John Meadowcroft, Jaime Reynolds 'Liberals and the New Right' *Journal of Liberal History*, 45 (2005) 47

to the Ownership for All committee and later in Hayek's *Road to Serfdom* highlighted that the risks of increasing state interference would not only be the detriment of society but lead to a slippery slope towards totalitarianism. Seldon was not, however, calling for a return to laissez-faire, on the issue of natural monopolies, Seldon advocates for state regulation to keep monopolistic actions in check rather than public ownership, pointing out that this would require increasing state action to do so¹³⁹. Seldon sees the role of the state in such a situation as "State action to 'cleanse' industry of its avoidable monopoly; and this will involve a more active State, a State more conscious of the conditions and consequences of monopoly"¹⁴⁰. Seldon is drawing on a common theme with the early neoliberals that the state can have a positive role in creating the conditions for a well-functioning market. Whereas laissez-faire is based on the concept of negative freedom, what Seldon is saying is that there is a positive aspect to state intervention within the market economy. Hayek would come to this conclusion in his *Road to Serfdom*, which will be explored in more detail in later in this chapter Seldon's biographer Colin Robinson notes of the Ownership for All report and Seldon's *The Drift towards the Corporate State* that "all of these papers can be seen as early versions of the arguments in favour of competitive markets and against state monopoly which Seldon deployed to such effect in his later work"¹⁴¹. Seldon was not the only one within the Liberal Party to object to this development towards interventionism. The committed individualist and Liberal Party member Ernest Benn founded the Society for Individualists in reaction to the increasing state encroachment. The organisation was dominated by individualist members of the Liberal Party with some conservatives supported Benn's organisation. The organisation would have an impact in bringing together 'individualist' conservatives and liberals member, creating a group dedicated to the cause of free market economics, limited intervention and above all the primacy of the individual which following the war created a network which allowed connections and relationships to be made between those unhappy with the post-war consensus.

Arguably, the most important single work produced during this period in the development of British neoliberalism is the publication of Hayek's *Road to Serfdom* in 1944. *The Road to Serfdom* was written by Hayek between 1940-1943, when the London School of Economics was evacuated to Cambridge due to the Second World War. The *Road to Serfdom* not only represents a turning point in the development of British neoliberalism but also a change in the method of argument by

¹³⁹ Meadowcroft and Reynolds, 'Liberals and the New Right'. 47

¹⁴⁰ Arthur Seldon, *The Drift to the Corporate State: A Preliminary Enquiry into the Impact of War Economy* (Liberal Publication Dept, 1941) in Meadowcroft and Reynolds, 'Liberals and the New Right' 47

¹⁴¹ Robinson, *Arthur Seldon*, p.57

its author. Hayek, throughout much of his time at the LSE in the 1930s focused primarily on the technical questions of economics; as seen in his opposition to Keynes' methodology in the LSE/Cambridge debates. However, with the publication of the *Road to Serfdom*, we see Hayek as less of an economist and more of a political theorist. David Green attributes this change from technical economics to the theoretical underpinning of a free economy to the rise of the Nazis during the 1930s, which so alarmed Hayek, forcing him to change his priorities¹⁴². This changing priorities meant that the *Road to Serfdom* became the first codified expression of Hayek's justification of the free economy and his rejection of 'planning'. The key purpose of Hayek writing the *Road to Serfdom* is to warn of the dangers of planning with the key argument being that whilst socialist redistribution sounds good as a theoretical concept, in practice it can lead a country towards totalitarianism as the state begins to assume more control over the individual until the individual lives in a totalitarian state where individual liberty is second to the collective good. To demonstrate his point, Hayek primarily relies on Germany, arguing that the Weimar Republic and the redistributive and interventionist governments of 1920s Germany were largely responsible for Germany's slide towards totalitarianism. However, although *The Road to Serfdom* is an attack on socialist theory and a critique of the concept of 'planning', his work is predominately a defence of classical liberalism, particularly the British tradition and experience in liberal thought. Hayek, in his introduction, begins his defence of classical liberalism by highlighting the trend he is seeing in the British public towards state intervention due to the war and compares it to the German experience of Social Democracy. Hayek writes the warning: "There exists now in this country [Britain] certainly the same determination that the organisation of the nation we have achieved for the purposes of defence shall be retained purposes of creation. There is the same contempt for nineteenth century liberalism, the same spurious 'realism' and even cynicism, the fatalistic acceptance of 'inevitable trends'. And at least nine out of ten of the most vociferous reformers are so anxious we should learn from this war are precisely the lessons which the Germans did learn from the war and which have done so much to produce the Nazi State"¹⁴³.

Although Hayek's thesis predominately focuses on Germany's slide towards dictatorship, and how British academics have wrongly attributed this as a capitalist reaction to socialism, Hayek makes frequent references to Britain and British theorists throughout his work. Indeed, Hayek states that the British are at risk of losing and abandoning the economic Liberalism which, in Hayek's argument, the British largely pioneered. Hayek states plainly that: "We are rapidly abandoning not

¹⁴² Green, *The New Right*, 109

¹⁴³ F.A Hayek, *The Road to Serfdom* (London: Routledge, 2001) 2

the views merely of Cobden and Bright, of Adam Smith and Hume, or even Locke and Milton, but one of the salient characteristics of Western civilisation as it is grown from the foundations laid by Christianity and the Greeks and the Romans. Not merely nineteenth and eighteenth century liberalism, but with the basic individualism inherited by us from Erasmus and Montaigne, from Cicero and Tacitus, Pericles and Thucydides is progressively relinquished¹⁴⁴. Hayek is pointing out to his British audience the intellectual history of British liberalism by invoking the names of Adam Smith, John Locke, Cobden and Bright and the risks involved in abandoning this tradition of thought but he also links it with the idea of individualism, which to Hayek is at the very core of western civilisation. Hayek also states that the West has "progressively abandoned that freedom in economic affairs without which personal and political freedom has never existed in the past"¹⁴⁵. Indeed, Hayek laments throughout the *Road to Serfdom* this fact by highlighting praise for Bismarck is readily available in modern English literature but William Gladstone is rarely mentioned¹⁴⁶ and that the "outstanding examples of the political wisdom [Lord Acton, A.C Dicey et al] of liberal England, are to the present generation largely obsolete Victorians"¹⁴⁷. Hayek, at heart was an Anglophile, in 1938 he was naturalised as a British citizen¹⁴⁸, and was deeply attached to the ideas of British classical liberalism, as was his tutor Ludwig von Mises. Hayek expresses throughout the *Road to Serfdom* the fear which had been prevalent during the 1930s, both at the LSE and in the Liberal Party that the philosophical idea of Liberalism and liberal economics, is no longer of importance as a guiding philosophy of political economy.

Although Hayek is rejecting the tendency of the 'planners' to interfere with the economy for fearing of eventually going to such an extreme as totalitarianism and defending the older 'nineteenth century' ideas of classical liberalism throughout the *Road to Serfdom*, he is also critical of the shortcomings in classical liberalism which he seeks to defend. In the chapter "The Abandoned Road" Hayek charts the history of liberal thought and it is in this section where the *Road to Serfdom* is a work which takes a critical look at not just socialism and collectivism, fascism and communism, but also as he sees the failures of nineteenth century classical liberalism. One particular aspect above all which receives Hayek's critical analysis is laissez-faire, which he partly blames for the abandonment of Liberal ideas and the drift towards collectivism. Hayek states that the principle of

¹⁴⁴ Hayek, *The Road to Serfdom*, 13-14

¹⁴⁵ Hayek, *The Road to Serfdom*, 13

¹⁴⁶ Hayek, *The Road to Serfdom*, 188

¹⁴⁷ Hayek, *The Road to Serfdom*, 188

¹⁴⁸ *The London Gazette*, 12 August 1938 p.5182

laissez-faire has done great damage to the cause of liberalism as Hayek sees it, writing that the “wooden insistence of some liberals on certain rules of thumb, above all the principle of Laissez-Faire which has done more harm to the liberal cause than any other”¹⁴⁹. Although this may seem unusual given Hayek’s warnings about the coercive power of the state intervening in the ordinary transactions of individuals, Hayek’s critique of laissez-faire should not be surprising despite it being often overlooked in analyses of his work. Hayek starts by stating that the basic principles of liberalism are not stationary or fixed but do have a degree of fluidity. For Hayek, although the core strands of philosophy are present such as the belief in the individual and the rule of law throughout the *Road to Serfdom*, Hayek takes one aspect as the core purpose of liberalism is that “in the ordering of our affairs we should make as much use as possible of the spontaneous forces of society, and resort as little as possible to coercion, is capable of infinite variety of application. There is, in particular, all the difference between creating a system within which competition will work as beneficially as possible, and passively accepting institutions as they are.”¹⁵⁰. This passage is highly significant in understanding Hayek’s views on liberalism, laissez-faire represents the passive acceptance of institutions as they are and as such are a misapplication of the liberal creed which to him is not the best way in which to progress liberal views. Hayek, in this passage is conveying the point that the purpose of liberalism and its role in society is to create the framework in which coercion on the individual is limited and that the spontaneous forces of society are utilised as possible.

Here is where the ideas of the Ownership for All committee and Hayek’s *Road to Serfdom* intersect, despite Hayek having no hand in the writing of the Ownership for All committee’s report. This rejection of laissez-faire indicated a shift within those who adhere to the strands of British classical liberal thought to redefine what it means to be liberal. Both Hayek and the Ownership for All committee highlight the structural issues with Laissez-Faire by the 1930s and 1940s. Indeed Hayek points out that “No sensible person should have doubted that the crude rules in which the principles of economic policy of the nineteenth century were expressed were only the beginning, that we had yet much to learn, and that there was still immense possibilities of advancement on the lines on which we had moved”¹⁵¹. For Hayek, liberalism seemed to stand still once the immediate tasks of dealing with the monetary system and preventing monopoly were solved; liberalism was not able to utilise government as a force for good¹⁵². This meant that classical liberalism became to

¹⁴⁹ Hayek, *The Road to Serfdom*, 18

¹⁵⁰ Hayek, *The Road to Serfdom*, 17-18

¹⁵¹ Hayek, *The Road to Serfdom*, 18

¹⁵² Hayek, *The Road to Serfdom*, 19

be viewed as a ‘negative’ creed, similar to how Isaiah Berlin explained in his work on positive and negative freedom. Hayek highlights this paradox of liberalism stemming from nineteenth century economic policy as:

“While the progress towards what is commonly called “positive” action was necessarily slow, and while for the immediate improvement liberalism had to rely largely on the gradual increase in wealth which free and important about, it had constantly to fight progress which threatens this progress. It came to be regarded as a “negative” creed because it could offer to particular individuals little more than a share in common progress - at progress which came to be taken more and more for granted and was no longer recognised as the policy of freedom”¹⁵³.

This paradoxical situation, as Hayek sees it, is formed fundamentally out of the inaction of laissez-faire liberalism to build on its successes and triumph. The ‘positive’ nature of the freedom it generated: in the increase of wealth, prosperity and industry were ignored and instead classical liberalism, as Berlin defined, became a negative creed. Indeed, for Hayek, this paradox meant that because of the freedom granted in the first instance by liberalism, individuals became unable to tolerate societal ills as they appeared to be unjustifiable¹⁵⁴. This slow progress and lack of adaptation caused by laissez-faire in Hayek’s argument led to a “growing impatience with the slow progress of liberal policy, the just irritation with those who used liberal phraseology in defence of anti-social privileges”¹⁵⁵ that they turned more towards the need for change. It is in this situation in which Hayek sees the Abandoned Road, in which the chapter is named, as people seek solutions not by “improving and adding to the existing machinery, but of completely scrapping and replacing it”¹⁵⁶. This to Hayek is where the issue of planning and collectivism began to inspire the next generation into the twentieth century in which “socialism displaced liberalism as the doctrine held by the great majority of progressives”¹⁵⁷. Ben Jackson, points out although Hayek was not as vocal in his criticism of nineteenth century liberalism, he was very careful to distance himself from the principle of laissez-

¹⁵³ Hayek, *The Road to Serfdom*, 19

¹⁵⁴ Hayek, *The Road to Serfdom*, 19

¹⁵⁵ Hayek, *The Road to Serfdom*, 19

¹⁵⁶ Hayek, *The Road to Serfdom*, 20

¹⁵⁷ Hayek, *The Road to Serfdom*, 24

faire¹⁵⁸. Indeed, Jackson elaborates further that people such as Hayek and Robbins were not as critical of nineteenth century liberalism, they were not the “paleo-liberals” of the same type as von Mises who was in fact the only author of this group to defend uncompromisingly the nightwatchman state¹⁵⁹. Hayek is highlighting the core value of liberalism is the individual is free from coercion but that does not mean that the government cannot be a force for good. Hayek is remaining in the bounds of British classical liberal thought but is highlighting that the principles are not fixed on the concept of laissez-faire. This distancing from laissez-faire signifies the cumulative arguments each made at different times at both the LSE and in the Liberal Party but now codified by Hayek in the *Road to Serfdom*. Indeed, the Ownership for All committee came to the same conclusion as Hayek on the issue of laissez-faire that government can be used to create the conditions for freedom, as long as there are checks and balances in the form of the rule of law. Hayek quipped on the liberal paradox the nineteenth century is telling that “It might even be said that the very success of liberalism became the cause of its decline. Because of the success already achieved man became increasingly unwilling to tolerate the evils still with him which now appear both unbearable and unnecessary”¹⁶⁰.

However, although the *Road to Serfdom* is attacking the drive to ‘planning’ Hayek also offers extensive commentary on how he conceptualises the state’s relationship with the individual often drawing on the aforementioned classical thinkers and ‘English ideas’. For Hayek, the basic function of the state is to protect the freedom of the individual and provide the system in which economic freedom is governed. To that end, Hayek primarily focuses on the concept of the rule of law to achieve that end. Hayek defines the rule of law as “stripped of all its technicalities this means that government in all its actions is bound by rules fixed and announced beforehand all - rules which make it possible to foresee with fair certainty how the authority will use its coercive powers in given circumstance and to plan one's individual affairs on the basis of this knowledge.”¹⁶¹. Indeed, Hayek states in his footnote the inspiration for his definition of the rule of law by referencing the “classical exposition by A.V Dicey in *The Law of the Constitution* (8th ed., p198) the rule of law “means, in the first place, the absolute supremacy or predominance of regular law as opposed to the influence of arbitrary power, and excludes the existence of arbitrariness, or prerogative, or even dis-

¹⁵⁸ Ben Jackson, “At the Origins of Neoliberalism: The Free Economy and the Strong State”, *The Historical Journal*, 53, 1 (2010) 135

¹⁵⁹ Ben Jackson “At the Origins of Neoliberalism” p135

¹⁶⁰ Hayek, *The Road to Serfdom*, 19

¹⁶¹ Hayek, *Road to Serfdom*, 75

cretionary authority on the part of government”¹⁶². Hayek does point out that in England a technical narrowness developed as a result of Dicey’s work but the older meaning of the rule of law was a well established tradition in England¹⁶³. Hayek is clearly setting out that his views on the rule of law are partly based on the ideas of British classical liberal theorists like A.V Dicey drawing links with his conceptualisation of the state and rule of law highlighting the interdependent nature of classical liberalism and the emergent neoliberalism in Britain during this period. Hayek goes onto further defining the difference between formulating the framework in which individuals are guided by and aware of and the concept of the individual being directed in a system of planning directing the individual’s actions. For Hayek, as the legislator is just a normal man, the fallibility is present and as such the coercive power of the executive must be checked¹⁶⁴. Hayek characterises this idea of the rule of law as based on *formal rules* as the means of being “instrumental in the pursuit of people’s various individual ends” as *formal rules* are the “instrument of production, helping people to predict the behaviour of those with whom they must collaborate”¹⁶⁵. Conversely to Hayek, the role of a ‘planning authority’ cannot be tied to pre-agreed *formal rules* or provide opportunities to unknown individuals, and as such the threat of arbitrary power increases. As Hayek notes:

“When the government has to decide on how many pigs are to be reared or how many buses to run, which coal mines to operate, or at what price boots are to be sold, these decisions cannot be deduced from formal principles, or settle for long periods in advance... In the end somebody’s views will have to decide whose interests are more important; and these views must become part of the law of the land, a new distinction of rank which the coercive apparatus of government imposes on people”¹⁶⁶

Indeed, to clarify this Hayek uses the analogy, utilised by Walter Lippmann of the Highway Code as an example of *formal rules*. The Highway Code governs the way in which individuals should behave on the road but the distinction is that no one is telling them where to go. The Highway Code acts as the formal guidelines on how to predict the behaviour of other roads users, signposts high-

¹⁶² A.V Dicey (footnote of Hayek, *Road to Serfdom*)76

¹⁶³ A.V Dicey (Footnote)

¹⁶⁴ Hayek, *Road to Serfdom*, 76

¹⁶⁵ Hayek, *Road to Serfdom*, 77

¹⁶⁶ Hayek, *Road to Serfdom*, 77

lighting routes but not ordering those routes to be taken¹⁶⁷. In the *Road to Serfdom*, Hayek conceptualises the paradox between planning and the rule of law in two ways a) economic and b) moral/political. On the issue of the economic side of the relationship between the State and the Rule of Law, Hayek writes:

“The state should confine itself to establishing rules applying to general types of situations, and it should allow the individuals freedom in everything which depends on the circumstances of time and place because only the individuals concerned in each instance can fully know these circumstances and adapt their actions to them.”¹⁶⁸

To Hayek, the state’s function is to provide the framework in which, in the circumstances of time and place, the individual is better placed to know how to react in a given circumstance and under the general guidelines set in governing economic matters. This at its core one of the principle arguments of British classical liberalism, that the individual knows best how to govern one’s own life but that the state is there to provide a framework to assist in that process of governing transactions between people. This is where Hayek and British liberal tradition share a common outlook and belief in the rule of law, that it is due to the impartiality of the legal system which acts as the greatest protector of individual freedom. Hayek points out the alternative to the system which he conceptualises as the *raison d’etat* of the State. “If, on the other hand, the state what to direct the individual's actions so as to achieve particular ends its actions would have to be decided on the basis of the full circumstances of the moment and would therefore be unpredictable. Hence the familiar fact that the state “plans” the more difficult planning becomes for the individual.”¹⁶⁹ Hayek is showing that the rule of law is key for allowing the spontaneous forces, i.e. the individual’s actions to exist independent and a crucial part of not just the Austrian School of economics but also a key strand of the arguments made by both Smith and J.S Mill on the concept of the man as an independent agent in economic matters.

It with Hayek’s conceptualisation of the role of the rule of law in the governance of the economy where Hayek’s vision of liberalism and his opposition to central planning becomes most clear. Again Hayek reiterates that his opposition to planning is not based on laissez-faire but on the argument what is the ‘best way of doing things’. Indeed, Hayek concedes this is largely the premise

¹⁶⁷ Hayek, *Road to Serfdom*, 78

¹⁶⁸ Hayek, *Road to Serfdom*, 79

¹⁶⁹ Hayek, *Road to Serfdom*, 79

of, as he sees it, the liberal objection between central planning and collectivism. To Hayek “The liberal argument is in favour of making the best possible use of the forces of competition as a means of coordinating human efforts not an argument fully leaving things just as they are”¹⁷⁰. Hayek goes on to say that this conviction in competition is the best way to guide individual needs and for it to work beneficially it needs a carefully thought out legal framework. Indeed, Hayek goes further, in similar terms to the members of the Ownership for All committee, by stating that this argument does not “deny that where it is impossible to create the conditions necessary to make competition effective, we must resort to other methods of guiding economic activity”¹⁷¹. It is this belief in competition where for Hayek, planners and liberals diverge. “economic liberalism is opposed to competition being supplanted by inferior methods of coordinating individual efforts”¹⁷². Just as Hayek expressed the role of law and the rejection of laissez faire under Hayek’s argument the economic system can only function with effective competition. Competition for Hayek is the best system because it removes artificial barriers allowing the individual greater freedom by removing the need for conscious social control. It is here where Hayek is reinforcing the basic premise which guided most classical liberal theorists. The rule of law to Hayek is what guarantees the freedom of the individual and preserves liberty. Indeed, Hayek makes reference to the state as the *Rechtsstaat* throughout the *Road to Serfdom*. However, Hayek does concede that for competition to work effectively, the principles of laissez-faire must be ignored to correct wrongs in the system.

Hayek’s conceptualisation of both the government’s role in the economy and the economy itself becomes most clear once his objection to laissez-faire is examined in detail. Hayek, sees the state as using the framework of laws to set out general principles and the competition within the market directing economic decision. It is a system of spontaneous forces bound together by the rule of law. As Jeremy Shearmur highlights “Hayek wishes that the government should provide the framework within which economic activity and other forms of voluntary co-operation between people can take place”¹⁷³. With this established, Hayek sets out what he considers the basic tenets of the market economy:

¹⁷⁰ Hayek, *Road to Serfdom*, 37

¹⁷¹ Hayek, *Road to Serfdom*, 37

¹⁷² Hayek, *Road to Serfdom*, 37

¹⁷³ Jeremy Shearmur, ‘Hayek’s Politics’ ed Edward Fester, *The Cambridge Companion to Hayek* (Cambridge: Cambridge University Press, 2006) 71

“It is necessary in the first instance that the parties in the market should be free to sell and buy at any price at which they can find a partner to the transaction, and that anybody should be free to produce, sell, and buy anything that may be produced or sold at all. And that it is essential that any entry to the different trades should be open to all and on equal terms, and that the law should not tolerate any attempts by individuals or groups to restrict entry by open or concealed means. Any attempts to control prices or quantities of particular commodities deprived competition of that power of bringing about an effective coordination of individual efforts, because of price changes then cease to register all the relevant changes in circumstances and no longer provide a reliable guide for the individual actions.”¹⁷⁴

Hayek’s framework for the economy as set out above fully articulates the role which the government has to play in the economy and what are the core foundations of the ‘free economy’. Hayek identifies these three key aspects as the cornerstone of his conceptualisation of the state and economy. The free and open exchange of goods and services, sold and bought at a price set independently by individuals, the free and open access to industry for all those wishing to work or own industry and no restrictions on trade by price control or quantities. For Hayek, each of these aspects exist to promote individual freedom by utilising competition and the price mechanism effectively under the framework of the rule of law. Indeed, the conceptualisation of Hayek’s economy is based on market forces, and is a restatement of Adam Smith’s ‘invisible hand’, a cornerstone of classical liberalism, with both the economy being like a ‘nervous system that is capable of regulating the economy because it conveys an infinite number of messages simultaneously via the price mechanism’ as Andrew Heywood highlights¹⁷⁵. However, Hayek’s conceptualisation of the economy described above is not theoretical to Hayek, the whole premise of the *Road to Serfdom* is to highlight to British intellectuals, his primary audience in writing the *Road to Serfdom*, the fallacy of their arguments towards increasing intervention within the market and to provide a contemporary analysis on the trends within British intellectual thought. Each of Hayek’s points can be addressed in the contemporary economy before the Second World War and this is important in understanding Hayek’s reasoning for highlighting these points. Hayek notes that a trend has emerged in Britain amongst ‘planners’ towards a corporatist model of industrial management, by highlighting that certain industries are left independent but competition is suppressed by those industries operating in a monopolistic

¹⁷⁴ F.A Hayek, *Road to Serfdom*, 38

¹⁷⁵ Heywood, *Political Ideologies*, 53

way¹⁷⁶. Although Hayek does not mention the official monopolies - also identified by the Ownership for All committee - such as the Iron and Steel Federation, this statement cannot be taken as independent to the contemporary nature of the economy under the National Government in the 1930s, and the subsequent drive to intervention during the War, which Hayek would have seen its development firsthand. Indeed, Hayek quotes a statement by the British periodical *The Spectator* from 1939 “there were many signs that British leaders are growing accustomed to thinking in terms of national development by controlled monopolies”¹⁷⁷ but Hayek goes on to add that although this was the position then due to the war this trend has accelerated¹⁷⁸. Hayek naturally disagrees with the concept of the ‘official’ monopolies and corporatism, as it usurps the power of competition set out by Hayek in his conceptualisation of the economy. Hayek sees official monopolies as trapping consumers into a situation where they are at the “mercy of the joint monopolist action of capitalists and workers in the best organised industries”¹⁷⁹ in very similar terms to the Ownership for All committee. Monopoly is a great concern of Hayek as he sees it as planning by an indirect route and a threat to the individual’s freedom and choice. For Hayek, this argument becomes one of the state’s duty to prevent this infringement on liberty and protect the individual from coercive practises generated by monopolistic action. If you couple the official monopolies with Hayek’s references to the mistaken belief that Free Trade, another cornerstone of British classical liberalism, as a system designed purely to the benefit of England during the nineteenth century and Hayek’s appreciation of liberal internationalism, then his reference to restrictions on the quantity and price of commodities become clear. Hayek’s conceptualisation of the role of the state in the *Road to Serfdom* is ultimately trying to defend and reinforce the intellectual tradition which has created the liberal state as he sees it. To Hayek, the state can be summarised as a free economy, based on competition, in the framework of the rule of law, which in Hayek’s view, maximises liberty for the individual but also creates a fairer system with equality of opportunity. This conceptualisation of the state is based on the English tradition of the primacy of the rule of law, as Hayek defines by A.V Dicey, as well as a belief in the nature of the free economy derived from Adam Smith and Bentham and Mill on the primacy of the individual under a utilitarian argument.

However with Hayek’s belief in the free economy he does concede that the state does have a duty to intervene in economic matters. He identifies very clearly that the state has not only a duty to

¹⁷⁶Hayek, *Road to Serfdom*, 42

¹⁷⁷ *The Spectator*; March 3rd, 1939, p337. in RS 42-43

¹⁷⁸ Hayek, *Road to Serfdom*, 43

¹⁷⁹ Hayek, *Road to Serfdom*, 42

allow fair entrance to the market but also that the government should intervene to stop monopolies forming. Furthermore, Hayek identifies specific areas, using examples, that the government may intervene on account of general wellbeing. Indeed, Hayek uses the example that restrictions and even prohibition of certain substances should exist to protect individual workers. “to prohibit the use of certain poisonous substances, or to require special precautions in their use, to limit working hours or to require certain sanitary arrangements, is fully compatible with the preservation of competition.”¹⁸⁰. There is one aspect, however, which is of great interest, Hayek’s views on welfarism in the framework of competition and the principle of freedom. Contrary to popular perception, Hayek in the *Road to Serfdom* does not reject the concept of state assistance to those who are disadvantaged or in need of help. Hayek discusses what he considers the ‘equality of opportunity’ and how the state can have a positive role in influencing and assisting individuals in their endeavours. Hayek notes that freedom would not be inhibited from an extensive system of social services. Hayek goes into more depth throughout his work, where he writes an extensive explanation of his viewpoint on welfare provision:

“There is no reason why in a society that has reached the general level of wealth which ours has attained, the first kind of security should not be guaranteed to all without endangering general freedom.... but there can be no doubt that some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work, can be assured to everybody.”¹⁸¹

Indeed, this would seem surprising given Hayek’s insistence on competition and market forces but as Hayek himself has stressed, he does not advocate the concept of laissez-faire which he views as a perversion of liberal thought. O’Hear notes that “[On laissez-faire] But such is not, and never was, Hayek’s position. In fact, Hayek’s specific repudiation of these extreme positions leaves him vulnerable to the criticism that his own position is, contrary to appearance, consistent with quite a high degree of state control and interference.”¹⁸². Hayek is highlighting that the state can intervene to alleviate the suffering of individuals. To Hayek, the concept of the minimum standard of assistance which is highlighted in the *Road to Serfdom* is a theme which Hayek returns to throughout his later

¹⁸⁰ Hayek, *Road to Serfdom*, 37-8

¹⁸¹ Hayek, *Road to Serfdom*, 124-5

¹⁸² Antony O’Hear, ‘Hayek and Popper: The Road to Serfdom and the Open Society’ in *The Cambridge Companion to Hayek* (Cambridge: Cambridge University Press, 2006) 134

works. To fully understand Hayek's views and relationship with welfarism it becomes important to look at these later works to properly contextualise the ideas first suggested in the *Road to Serfdom* and as such merits discussion here despite being out of the exact timeframe of this thesis. Indeed, Ben Jackson summarised this situation regarding redistribution best that "Nonetheless, as discussed later, in the same work Hayek did endorse the state enforcement of some sort of distributive pattern. In this respect, as in many others, *The road to serfdom* was a transitional work, in which Hayek began to feel his way towards his mature intellectual position but had not, as yet, fully developed or integrated all of its elements."¹⁸³. In *Law, Legislation and Liberty*, published in 1973, Hayek advocates the cause of Universal Basic Income, which would become a key idea promulgated by neoliberal think-tanks such as the IEA during the 1960s and 1970s. With Universal Basic Income, there is the assured minimum standard to enable poverty to be alleviated for those who are disadvantaged. Hayek writes in *Law, Legislation and Liberty*, "There is no reason why in a free society government should not assure to all, protection against severe deprivation in the form of an assured minimum income, or a floor below which nobody need to descend."¹⁸⁴. Hayek discusses this further by highlighting his position is not inconsistent with the concept of the rule of law or an infringement on freedom, which he first addresses in the *Road to Serfdom* and in later works, because "To enter into such an insurance against extreme misfortune may well be in the interest of all; or it may be felt to be a clear moral duty of all to assist, within the organised community, those who cannot help themselves. So long as such a Universal Basic Income is provided outside the market to all those who, for any reason, are unable to earn in the market an adequate maintenance, this need not lead to a restriction of freedom, or conflict with the Rule of Law."¹⁸⁵. In the *Road to Serfdom* and *Law, Legislation and Liberty*, a link can be drawn between Hayek's belief in a minimum standard of social assistance, with *Law, Legislation and Liberty* showing a more in-depth intellectual development of the points Hayek was making in the *Road to Serfdom* contextualising not just O'Hear's point that Hayek, in some respects, agrees with state intervention but Hayek's own premise that for true freedom to exist, a minimum standard should be strived for by all.

Indeed, in the *Road to Serfdom*, as well as the minimum standards as set out for food, clothes and shelter, Hayek goes further and to an extent agrees with the argument for a social insurance system which can be provided by the state. Hayek writes:

¹⁸³ Jackson, Ben Jackson. 'At the origins of neo-liberalism: the free economy and the strong state 1930 - 1947' *The Historical Journal*, 53, 1 (2010) 137

¹⁸⁴ F.A Hayek, *Law, Legislation and Liberty* (Chicago, University of Chicago, 1973)

¹⁸⁵ *idib.*

“Nor is there any reason why the state should not assist the individuals in providing for those common hazards of life against which, because of their uncertainty, few individuals can make adequate provision. Where, as in the case of sickness and accident, neither the desire to avoid such calamities nor the efforts to overcome their consequences are as a rule weakened by the provision of assistance – where, in short, we deal with genuinely insurable risks – the case for the state's helping to organise a comprehensive system of social insurance is very strong... There is no incompatibility in principle between the state's providing greater security in this way and the preservation of individual freedom.”¹⁸⁶

Hayek is arguing a positive case for state intervention in the framework of his conceptualisation of the state based on the ideas of equality of opportunity to assist the poorest in society to be free. At the core of Hayek argument is that one cannot have true freedom if a basic standard of security is not achieved, and that it is not an impingement on freedom but an enhancer of freedom, as highlighted by both the minimum standard and the concept of social insurance. Indeed, it is with welfare where Hayek become detached from the dogma of laissez-faire liberalism and where Hayek advocates a different path to older ideas of classical liberalism. Hayek's attacks on laissez-faire, whilst not completely condemning nineteenth century liberalism, indicates Hayek's desire to update the ideas of freedom and liberty at the core of British classical liberalism with the modern issues facing society in the mid-twentieth century. Indeed, one could almost argue that although Hayek frames his ideas based on the intellectual traditions of British classical liberalism such as the rule of law, the primacy of the individual as an economic agent and the market economy, with his tacit support of welfare, Hayek is in some respects close to his detractors and shares some characteristics with the reforming nature of Edwardian 'New' Liberalism. As Ben Jackson points out Hayek, like many of the early neoliberals in the 1930s and 1940s is not opposed to welfarism. Indeed, Jackson highlights that in early neoliberal writings by Hayek, Henry Simons and Karl Popper - a contemporary of the LSE invited at Hayek's insistence to teach, one of the major policy goals of thinkers such as Hayek was support for a state-sponsored social minimum and equality of opportunity¹⁸⁷. For Jackson, “In this respect, Hayek's views were not radically distinct from left-wingers who also emphasised the extent to which fear and insecurity could undermine the liberty to act of disadvantaged

¹⁸⁶ Hayek, *Road to Serfdom*, 125

¹⁸⁷ Ben Jackson. 'At the origins of neo-liberalism: the free economy and the strong state 1930 - 1947' *The Historical Journal*, 53, 1 (2010) 146

individuals.”¹⁸⁸. The goal of the *Road to Serfdom* and other early neoliberals, Hayek wanted to see liberalism tackle the difficult issues facing modern society. Indeed, O’Hear concurs that the central purpose of Hayek’s discussions on welfarism in the *Road to Serfdom* are based on striving for the equality of opportunity and opposing planning on defined central goals rather than societal conditions. O’Hear states that “Hayek says is that while we should not plan for particular goals for society as a whole (such as controlling prices, setting centralized production targets, or getting incomes or wealth to conform to some standard), what we should do is to plan for those social conditions which would permit the highest exercise of individual freedom, so that individuals can then best make their own plans.”¹⁸⁹. Hayek’s discussions of the role of the state as an enabler of freedom, in the form of assisting those with limited means, is one which highlights a departure not just from the older classical liberal attitude of laissez-faire but an acceptance of the positive role of the state in terms of the conditions of the poor which Hayek outlined in his concept of the state and opposition to laissez-faire. Indeed, Hayek’s view on welfarism would later define the lexicon for later neoliberals who would call for the state to act as the enabler of freedom.

Hayek’s *Road to Serfdom* had a profound impact on the neoliberal movement following the Second World War. The book, which sold out of its first 2,000 copy print-run within days forcing Routledge to order another 2,500 more copies but even this could not keep up with demand¹⁹⁰. Indeed, Hayek quipped that it had become the ‘Unobtainable Book’ during the latter stages of the war, had not just a profound influence on British neoliberals but those on the other side of the Atlantic in the United States, when it was published by the University of Chicago Press in late 1944. Hayek’s defence of classical liberalism and warning about the perils of central planning in the *Road to Serfdom* represented not just a continuity of intellectual thought between early British liberal thinkers in the form of the rule of law, defence of the market and individualism but also a rejection of the excesses of the ideology. With Hayek’s critique of laissez-faire coupled with his argument for minimum assistance and positive interventionism marks out the distinguishing feature of the emerging neoliberal movement in Britain in the post-war era. Hayek’s role as a political theorist is best summarised by David Green. Green highlighted how Hayek has always been an enigma but “at heart he is a classical liberal - or an Old Whig, as he prefers. When he sees unfreedom, he wants to remedy

¹⁸⁸ Ben Jackson. ‘At the origins of neo-liberalism: the free economy and the strong state 1930 - 1947’ *The Historical Journal*, 53, 1 (2010) 146

¹⁸⁹ Antony O’Hear ‘Hayek and Popper: The Road to Serfdom and the Open Society’ 135.

¹⁹⁰ Wapshott, *Keynes Hayek*, 193-94

it, and when he sees injustice he wants to help”¹⁹¹. Indeed, Green’s analysis of Hayek in general is a good description of the *Road to Serfdom*, it is at heart a defence of classical liberalism, particularly the British tradition which he references throughout, but also proposes practical steps which Hayek believes will remedy societal ills and protect the freedoms he defends highlighting the influence of, but divergence from the original concepts which dominated nineteenth century liberalism in Britain.

However, as Keith Tribe correctly notes the *Road to Serfdom* is not just a polemic which defended classical liberalism, it changed some of basic arguments which had been at the heart of classical liberalism, in particular, the relationship between political freedom and economic freedom. As Tribe points out “For Hayek, the “market” is an abstract, not a substantive, entity; the “perfect market” is the counterpart of the liberal state. He appeals to classical liberalism but argues from economy to polity; his “road to freedom” now ran through the market to political liberty, and not the other way around.”¹⁹². This would appear to be the case, as Hayek uses the idea of economic freedom as the way of ensuring political freedom throughout the *Road to Serfdom*. Indeed, Tribe is correct in highlighting that a substantial part of the *Road to Serfdom* is based on classical liberalism, but what differentiates the emergent neoliberalism is the inverse relationship of economic freedom and political freedom, whereas, in classical liberal doctrine it was the other way around political then economic. It is this shift in priorities which truly marks the start of neoliberalism. Whereas, before the war Hayek, Robbins and Plant at the LSE and Dodds and Seldon in the Ownership for All report sort to reconcile older liberal traditions with the present crisis rather than developing a new set of ideas, the *Road to Serfdom* created a demarkation point in which the relationship between classical liberalism and British neoliberalism came into being. Instead of focusing on political freedom, with economic freedom an important but subservient feature, neoliberalism began to develop into its own coherent thought process which placed economic liberalism and freedom at the forefront. It is this cultural shift, and a sign of Hayek’s evolving ideas, which although subtle marks the symbolic point in which British neoliberalism formed. The ideas of classical liberalism became the core concepts such as the rule of law and individual freedom, acting as a reference point to serve this new conceptualisation of the state as the enabler of freedom though economic means. It is this inversion of two concepts, both originating in the British classical liberal tradition, which would have a profound effect on the development of post-war British neoliberalism, as the early neoliberals seek to no longer defend classical liberalism as an ideology but seek to develop a new language

¹⁹¹ Green, *The New Right*, 149

¹⁹² Tribe, ‘Liberalism and Neoliberalism in Britain’, 76

focused more on the economic rather than moral/political reasoning for the state's relationship with the economy.

IV

Following the publication of the *Road to Serfdom* and the subsequent election of the Labour government in 1945 on a broad platform of nationalisation, welfarism, and state intervention, the Neoliberal thinkers of the interwar years found themselves intellectually at odds with the prevailing public and political mood. Despite being often on the fringes of debate during the 1930s, enough proponents existed to maintain an uneasy status quo between the positions advocated by the early neoliberal thinkers in Britain and the wider political class. However, the horror of the Second World War and the memory of the mass unemployment during the 1930s led to a leftward shift in the political, social and intellectual atmosphere of the post-war era. Although Hayek's *Road to Serfdom* was widely read in Britain and indeed influenced the Conservative Party's 1945 election campaign, Hayek's defence of classical liberalism with its positive tenets for reform did little halt the tide towards economic interventionism by the new Attlee administration. Under the 1945-1950 Labour government sweeping reforms were introduced to improve the general condition of the people. On the welfare side, the party introduced the National Insurance Act 1946, granted wide-ranging coverage for sickness and unemployment, as well as the introduction of maternity pay, and crowning achievement of the Attlee administration was the introduction of a universal National Health Service, providing free healthcare at the point of use to all, with provisions for dentistry and eye-care, granting those most vulnerable healthcare provided and financed by the state. However, it was in the realms of economic management where the early neoliberals were most objected. The nationalisation programme implemented by the Attlee administration reached most sectors of the UK economy and industrial capacity. The Bank of England was nationalised in 1946, bringing monetary policy into direct government control. The coal, iron and steel industries were all nationalised between 1945 and 1951, with both industries being the largest employers in Britain at the time. This was coupled with the nationalisation of British Overseas Airways Corporation, airports, the railways, canal network and some road haulage companies as well as the docks. Indeed, in this programme of nationalising transport, the travel agent Thomas Cook & Sons was nationalised, with the British Transport Commission being one of the largest employers in the world when created at 680,000. Most of these new industries were managed by commissions, with the British Transport Commission being the overarching organisation encompassing British Railways, British Waterways, British

Road Haulage. The British Electric Authority took over the generation, distribution and sale of electricity, which had perviously been in private or municipal hands. The National Coal Board was established to manage the coal mines.

This extensive policy of nationalisation and centralisation of economic power was precisely what Hayek, Robbins and Dodds wished to avoid in the 1930s, as competition was replaced by state-owned industry and economic planning. In 1951, following the narrow defeat of Attlee's administration to the Conservatives under Winston Churchill, very little was reversed in terms of economic controls. The Conservatives accepted Labour's spending plans for the National Health Service, most of the nationalised industries remained under state control, except the Iron and Steel industry which was denationalised in 1953. However, broadly the Conservatives - who had modernised largely under the influence of the Tory Reform Group in the late 1940s - accepted much of Labour's nationalisation and social welfare plans. This led to what historians have come to recognise as the 'Post-War consensus' in which the two major parties - Labour and Conservatives - broadly followed the Keynesian mixed-economy and social welfare policies which had developed during the war¹⁹³.

It was in this climate of increasing state intervention which caused the early neoliberal theorists to change their tactics. Before the war, the early neoliberal thinkers were trying to defend the global order, economic liberalism was under threat but that threat had not come to pass. With the War, the need for government control over the economy to fight a total war against Nazi Germany had led to a cultural shift in the minds of politicians, the press and the general public. The war had brought into sharp contrast the issues which had faced Britain before the war and a desire to not allow them to return. Unemployment and poverty in the depressed areas had generated a situation many considered indefensible. The war had acted as the catalyst which pushed the planning agenda forwards, if economic planning could win the war, then it stood to reason that economic planning and intervention could win the peace. With the advent of the nationalisation programme of the Attlee government and the acceptance of welfarism and the mixed economy by the Conservatives, the early neoliberals were without influence and had seemingly lost the argument, their ideas considered inappropriate for the Post-War world. Brigin summarised the issue as "The social philosophies that had justified capitalism and imbued it with a sense of legitimacy for much of the nineteenth century had little purchase on a public with enduring memories of the Great Depression."¹⁹⁴.

¹⁹³ The creation of the post-war consensus is an issue still debated by historians but for purpose of this thesis is broadly accepted by the author.

¹⁹⁴ Angus Brigin, *The Great Persuasion: reinventing free markets since the Depression*, 121

It is here where the arguments of the early British neoliberals change from defending their ideas and justifying them with what had intellectually preceded them into how they can overturn the consensus and make their ideas the economic mainstream again. Instead of justifying their opinions in the traditions of British classical liberalism, as this thesis has shown, the late 1940s and 1950s created a situation where economic liberalism needed to be rebranded and not just as a revision of classical liberal thought. To accomplish this, the early British neoliberals needed a new language to explain and advance their ideas as well as a new mechanism outside of the traditional influence-centres in British society: parliament, the universities and the press. Their response was simple; the creation of groups independent of institutions and political parties to advance the cause of market liberalism and convince people that market solutions were the best way to govern society. This response came from Hayek himself. Hayek believed that the revival of liberalism could only come from convincing intellectuals of the merits of the market liberalism but in the face of the prevailing consensus, the old methods and arguments were simply not appropriate to the post-war era. To do this, Hayek suggested the formation of intellectual groups designed to influence opinion makers - politicians, academics and the media - to support their arguments on the structuring of the economy and society. It is at this stage where British neoliberalism moves from its infancy, a defence of classical liberal ideas adapted to the issues of the depression and moves towards maturity, a distinctive ideological concept with institutions being created to advance this cause. The early neoliberals were no longer defending a system and warning of the dangers of deviating from limited intervention, they now had to actively counter the new post-war political culture which had developed. What then formed were two organisations which would have a profound effect on the development of neoliberalism not just in Britain but globally. Those two organisations are the Mont Pèlerin Society (1947) and the Institute of Economic Affairs (1955).

The first organisation was founded by Hayek himself and was designed to bring liberal scholars from across Europe and the United States together to revive the cause of liberalism. Following Hayek's successful lecture tour in the United States, he became convinced of the need for an organisation of like-minded individuals to discuss the crisis in liberalism after the war. Hayek's decision to found a think-tank was partly due to the reception the *Road to Serfdom* had generated on both sides of the Atlantic. In the United States, Hayek's work was considered a partisan document, with the *Reader's Digest* version omitting some of Hayek's subclauses changing the meaning of his statements. As such, proponents of Hayek's argument in the US used his *Road to Serfdom* to attack the New Deal economy created by Roosevelt, whilst opponents attacked his work as reactionary and a defence of laissez-faire. Whereas in England, the Keynesian consensus was now secured,

Hayek found himself alone due to the opposition generated by his work. Indeed, Hayek himself noted “Keynes was disputed as long as he was alive - very much so. After his death, he was raised to sainthood... At about the same time, I discredited myself with most of my fellow economists by writing the *Road to Serfdom*, which is disliked so much.”¹⁹⁵. It was in this climate of feeling intellectually isolated following the reaction to the *Road to Serfdom* which prompted Hayek to create the Mont Pèlerin Society. Indeed, Hayek believed that he was not alone in feeling isolated in the intellectually hostile world of being a proponent of liberal economics. Brigin notes in a letter from Ludwig von Mises to Hayek that free-market academics felt isolated in world where Keynes and Laski were most influential for their critiques on market mechanisms¹⁹⁶. Hayek envisaged the Society as “The organisation which seems to be needed is something halfway between a scholarly association and a political society... a kind of international academy of political philosophy... a closed society, whose members would be bound together by common convictions”. Hayek’s idea for a conference was not a new one, as he had before the war attended the Colloque Lippmann, dedicated to Walter Lippmann’s *The Good Society*, in 1938 which was a meeting designed to discuss the crisis in liberalism. As Wapshott notes at the Colloque, Hayek, Von Mises, Robbins, Wilhelm Röpke were all invited and it was this grouping which would form the basis of the new organisation Hayek was hoping to create. Indeed, once back in England, Hayek sent a memorandum to colleagues and friends advocating the creation of a new organisation. In his memorandum, Hayek argues that this need for a new discussion group was based on fragmented nature of intellectual discourse as a result of the war. Hayek’s memorandum stated that “The War has divided the world into an number of different intellectual islands, separated from each other as never before in modern history”¹⁹⁷. Hayek was calling on his fellow liberal theorists to come together to discuss a new path for post-war liberalism.

However, for Hayek’s idea to become reality he required funding for his new organisation. To finance it, Hayek sought out donors throughout 1946. Eventually the main body of the conference’s funding was obtained from Dr Hunold, a swiss businessman, who assisted Hayek in the administration and financing of the conference. In addition, the cost of the travel for the delegates from the United States was obtained from the Volker Fund who fully financed the American delegates travel to Switzerland for the Conference¹⁹⁸. With the funding secured the Mont Pèlerin Society was convened at the Hôtel du Parc, a hotel on the summit of Mont Pèlerin in April 1947. Hayek

¹⁹⁵ Wapshott, *Keynes Hayek*, 208-209

¹⁹⁶ Angus Brigin, *The Great Persuasion: reinventing free markets since the Depression*, 94

¹⁹⁷ Angus Brigin, *The Great Persuasion: reinventing free markets since the Depression*, 94.

¹⁹⁸ Angus Brigin, *The Great Persuasion: reinventing free markets since the Depression*, 94.

invited 60 to the first Mont Pèlerin conference, in the end 38 were able to attend. Howson notes that Hayek had received 30 replies very quickly, including Robbins who Hayek had remarked in correspondence how much Hayek needed Robbins to be present¹⁹⁹. As well as Robbins, Hayek had invited a diverse array of scholars from across the United States and continental Europe. Among the attendees were von Mises, Karl Popper, Wilhelm Röpke, Frank Knight, John Jewkes, George Stigler and Oxford historian Veronica Wedgwood. Hayek was very conscious of his invitees' differences as he wanted to bring together the various schools of thought and provide an environment for the free exchange of ideas. However, there was a pattern to Hayek's invitees due to the nature of Hayek being an academic economist; most of his invitees were economists. Hayek later regretted not inviting more historians and political philosophers to the inaugural meeting. As Cockett notes a large number of LSE economists were in attendance or would be invited to join the society at its second meeting in 1949, indeed Sir Arnold Plant joined the group in 1949 and later Arthur Seldon and Ralph Harris would be admitted in the early 1960s.

The conference lasted ten days and with its basic programme revolved around academic discussions about important philosophical points in liberalism, as well as the threat to classical liberalism by the zeitgeist towards planning and interventionism. Hayek's goal in creating the Mont Pèlerin Society was twofold. Firstly, he wanted to bring together and redevelop the dialogue between scholars which was damaged due to the war, it had been nine years since the Colloque Lippmann in 1938, so by simply creating the conference, Hayek succeeded in his first objective. However, his second objective was the revival of liberalism as an intellectual force which was more difficult. At the conference the delegates were painfully aware that their ideas and influence in this new post-war world on policymakers was virtually non-existent at that moment. As George H. Nash described the situation as "The participants, high in the Swiss Alps, were only too conscious that they were outnumbered and without apparent influence on policymakers in the Western World"²⁰⁰. Cockett notes that "for Hayek, most importantly initially, in an era when almost all Western European countries were at the height of their infatuation with planning and socialism, was for the liberal intellectuals to make 'these questions of policy for a competitive order... once again live issue which are being discussed public'²⁰¹. Again Hayek summarised the aims of the Society as one of "Both purging traditional liberal theory of certain accidental accretions which have become attached to it in the course of time, and facing up to certain real problems which an over-simplified liberal-

¹⁹⁹ Howson, *Lionel Robbins*, 661.

²⁰⁰ George Nash, *The Conservative Intellectual Movement in America* (New York: Basic Books, 1976) 26.

²⁰¹ Cockett, *Thinking the Unthinkable*, 114

ism has shirked.”²⁰². In Hayek’s inaugural paper to the assembled delegates, Hayek discussed that the group needed to win the battle of ideas by convincing the secondhand dealers of ideas - public intellectuals. In his paper to the Mont Pèlerin Society on *Free Enterprise and Competitive Order*, Hayek quoted the concluding paragraph of Keynes’ *General Theory* in total agreement:

“The idea of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of the a few years back. I am sure the Power vested interests is vastly exaggerated compare the gradual encroachment of ideas. Not indeed immediately but after a certain interval; and in the field of economics and political philosophy there are not many who influenced by new theories after they are 25 or 30 years of age, so that the ideas which civil servants and politicians even agitators apply are not likely to be the newest. But, soon or late, it is ideas, not vested interest, which is dangerous for good and evil.”²⁰³

Hayek viewed the Mont Pèlerin Society as the frontline in this battle and that it was the role of the Mont Pèlerin Society to being this battle of ideas and counteract the tide towards economic planning. Hayek’s quoting of Keynes was designed to highlight to the delegates that to win the battle of ideas they must focus on convincing people to accept the freedom which the market economy brings. As Brigin correctly states that "The Mont Pèlerin Society was founded to counteract what its members perceived to be a contrary ideological trend, both in the international political environment and among the intellectual class.”²⁰⁴. However, although the society was founded to tackle the prevailing intellectual climate, Hayek was concerned not to make the Society an organisation based on defending outdated principles. Given the diverse nature of the group, the conference at times was not always convivial. Ludwig von Mises frequently got into arguments with more moderate members of the Society. Indeed, in one often quoted occasion, Von Mises stormed out of a talk shouting that the assembled delegates “were all a bunch of socialists”²⁰⁵. Von Mises was certainly on the ex-

²⁰² Brigin, *The Great Persuasion*, 103

²⁰³Cockett, *Thinking the Unthinkable*, 111-112. Hayek quoted Keynes’ passage from the final paragraph of the Keynes’ *The General Theory of Employment, Interest and Money* (Cambridge: Cambridge University Press, 1973) 383 - 384,

²⁰⁴ Brigin, *The Great Persuasion*, 107

²⁰⁵ Wapshott, *Keynes Hayek*, 213

treme right of the group in that he was the only one who advocated laissez-faire economics. This view is supported by Howson, who notes that Robbins expressed his fears about Mises' temperament. Indeed, Robbins said "I fear Mises will be a disturbing element; when I hear him talk I feel almost a red"²⁰⁶. However, the majority of the delegates assembled disagreed with Von Mises' uncompromising defence of laissez-faire and were assembled to counteract the damage done by laissez-faire to the liberal cause.

It was left to Robbins to draft the statement of aims of the assembled delegates and these focused on six key areas of discussion as well as general statement about the view of the Mont Pèlerin Society on the current crisis. Robbins' *Statement of Aims*, which was ratified by the assembled delegates argued that "The central values of civilisation are in danger. Over large stretches of the Earth's surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy."²⁰⁷. Again, as with so much of the writings of the early neoliberals, contemporary events come to the forefront of discussion. Indeed, Robbins' statement goes on to say "The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power. Even that most precious possession of Western Man, freedom of thought and expression, is threatened by the spread of creeds"²⁰⁸. Robbins is making a clear case for himself and his fellow Mont Pèlerins that the tide towards interventionism was creating a level of arbitrary power eroding the freedom of the individual. Robbins' statement to the Mont Pèlerin Society diagnosing these issues as Robbins sees it, is not unique in the history of neoliberal thought. Before the war, both Hayek and Robbins at the LSE were warning of the dangers of the drift away from economic liberalism, the *Ownership for All* report identified many of the aims discussed at the Mont Pèlerin Society and, Hayek's *Road to Serfdom* all constructed the same premise that individual liberty was under threat from the erosion of economic freedom, which in turn damaged political freedom .

Robbins goes further than just identifying the trend in the western world towards interventionism and again his diagnosis tallies well with other early neoliberal thinkers operating before the formation of the Mont Pèlerin Society. Robbins writes that "The group holds that these developments have been fostered by the growth of a view of history which denies all absolute moral stan-

²⁰⁶ Howson, *Lionel Robbins*, 662

²⁰⁷ Robbins, *MPS Statement of Aims* (1947) The original statement of aims can be found of the Website of the Mont Pèlerin Society. <https://www.montPelerin.org/statement-of-aims/>

²⁰⁸ Robbins, *MPS Statement of Aims* (1947)

dards and by the growth of theories which question the desirability of the rule of law.”²⁰⁹. Robbins is attacking any creed which undermines the rule of law, one of the core tenets of classical liberalism, not just in Britain but throughout most of the western liberal tradition. For Robbins, as well as Hayek, the rule of law serves as an important function of providing the framework in which the market can operate to the benefit of society. Robbins also draws on the importance of the competitive market in the group’s opening statement. The idea of the competitive market had informed much of the debate at the conference particularly how best to make it function to the needs of society. Robbins writes “It holds further that they have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.”. Robbins is highlighting the classical liberal origins of his argument, in a similar way to which the Ownership for All report does, that private property and the competitive market are the guarantors of freedom. The statement contain six key aims of the society which required further attention by the Society. The first three pledges focused on examining the crisis, redefining the state to distinguish it between a totalitarian and liberal order and re-establishing the rule of law as the guarantor of individual freedom²¹⁰. These first three pledge can be interpreted as the philosophical underpinnings of the Mont Pèlerin Society, by focusing on the theoretical considerations behind why the free-market and competition are the best form of economic governance. The final three point related to active goals to be such as the establishment of “minimum standards by means not inimical to initiative and functioning of the market” as well as making sure history is not misused to justify the ‘creeds hostile to liberty and to examine “the problem of the creation of an international order conducive to the safeguarding of peace and liberty and permitting the establishment of harmonious international economic relations.”²¹¹.

Robbins’ input into the Mont Pèlerin Society would end following its first conference owing to Hayek’s plan to divorce his wife, Hella and marry his cousin. This caused a rift between the two and Robbins refused to have anything to do with the Society. The creation of the Mont Pèlerin Society was important not just to the intellectual development of neoliberalism globally but more specifically for Britain. As Cockett notes that “the Mont Pèlerin Society was thus drawing together those liberal intellectuals in Britain who had no such opportunity for a similar gathering in Britain”²¹².

²⁰⁹ Robbins, *MPS Statement of Aims* (1947)

²¹⁰ Robbins, *MPS Statement of Aims* (1947)

²¹¹ Robbins, *MPS Statement of Aims* (1947)

²¹² Cockett, *Thinking the Unthinkable*, p.116

The Mont Pèlerin Society, although not a pressure group created a model which could be utilised on a national level, and more importantly it created a network of academics not just globally, but in nation-states who could communicate with each other in the formalised setting of the academic meetings of the Mont Pèlerin Society. Indeed, as well as the Society's general meeting, regional meetings were planned at Merton College, Oxford in 1952 and 1953 as well as Gonville and Caius College, Cambridge in 1958 organised by Stanley Dennison and Jewkes. Regular attenders to these meetings included Robbins, Arnold Plant, Jewkes and several members who became attached to the IEA and the Mont Pèlerin Society including Alan Peacock and Graham Hutton²¹³. Whilst the Mont Pèlerin Society was not dedicated purely to the revival of market liberalism in Britain, its importance lay in the fact it was trying to revive liberalism not on pre-war grounds but on post-war realities based on market liberalism. The state in much of Western Europe was taking on more responsibilities and the interventionism into economic life becoming more complex, the Mont Pèlerin Society was created to develop and refine a new path going forwards. It was not classical liberal as before but a new version of economic liberalism divorced from the intellectual baggage of classical liberalism, such as *laissez-faire*.

Arguably one of the most important developments in the history of neoliberalism in Britain was the establishment of the free-market think tank, the Institute of Economic Affairs. The Institute was founded by Antony Fisher in 1955, but, the history of the foundation and the idea for the institute originated from an earlier meeting between Fisher and Hayek at the LSE in 1947. Fisher, a passive member of the Conservative Party and a member of Benn's Society for Individualists had completed his book the *The Case for Freedom* that year and wanted to enter frontline politics. At the meeting Hayek advised Fisher against entering frontline politics and instead urged him to form an organisation dedicated to advancing the ideas which Fisher had taken from the *Road to Serfdom* in the form of an Institute. Fisher described the meeting as one where "His central question was what, if anything, could he advise me to do to help get discussion and policy on the right lines... Hayek fist warned against wasting time - as I was tempted - by taking up a political career"²¹⁴. Instead Hayek's advise to Fisher was in "his view that the decisive influence in the battle of ideas and policy was wielded by intellectuals whom he characterised as the 'second-hand dealers in ideas'. It was the dominant intellectuals from the Fabians onwards who had tilted the political debate in favour of government intervention with all that followed"²¹⁵. Hayek was explaining to Fisher his belief in the

²¹³ Cockett, *Thinking the Unthinkable*, 119

²¹⁴ Antony Fisher, *Must History Repeat Itself?* (Churchill Press, 1974) 103

²¹⁵ Antony Fisher, *Must History Repeat Itself?* (Churchill Press, 1974) 103

power of like-minded individuals, operating as a group such as the Fabians, can have a more profound influence on public policy than a political career. Indeed, Hayek's suggestion is hardly unsurprising given that in 1947 he was preparing for his own internationalised version of what he was suggesting for the domestic front in their battle for ideas. Hayek culminated his suggestion by stating to Fisher that "I [Fisher] should join with others in forming a scholarly research organisation to supply intellectuals in Universities, Schools, journalism and broadcasting with authoritative studies of economic theory of markets and its application to practical affairs"²¹⁶. Whereas, the Mont Pèlerin Society was based on hearing ideas of liberal intellectuals from across the western world, Hayek's conceptualisation of what would become the Institute of Economic Affairs was concerned with advancing the cause within Britain. It should be noted at this point, when talking about the 'second hand dealers in ideas' that the formation of the Institute of Economic Affairs was not primarily concerned with influencing the general public but instead the political and business elites with the ideas of the free-market defused downwards via them as the authority figures on such matters. Indeed, Chandran Kukathas noted that "Hayek's political influence has been no less remarkable. He persuaded Antony Fisher to abandon his plans for a political career and to devote himself instead to establishing an organisation for the dissemination of classical liberal ideas. The Institute of Economic Affairs founded by Fisher not only played an important role in changing the policymaking climate in Britain but also became the model for many classical liberal "think-tanks" around the world."²¹⁷. Fisher was an intelligent man but he was not an intellectual but nevertheless he was later admitted to the Mont Pèlerin Society in 1951. Hayek's influence on Fisher cannot be understated, although, Fisher was already convinced of the benefits of the free market in creating a prosperous society, Hayek formulated a goal in which Fisher's energies could be channelled by assisting in the promulgation of free-market ideas within Britain. However, Fisher's now new goal on the advice of Hayek was not immediately realised and Fisher had to build up his agricultural business to help finance the institute. That ambition was realised when Fisher introduced battery chicken farming to Britain from the United States which made Fisher a millionaire.

However, Fisher was not alone in the founding of the Institute as he found other like-minded individuals to join him in creating the IEA. The Institute was founded by Fisher as the main donor but he received assistance from an number of supporters from the now right-wing of Liberal Party. One such individual was Oliver Smedley, a committed free-trader and anti-socialist, was active in

²¹⁶ Antony Fisher, *Must History Repeat Itself?* (Churchill Press, 1974) 103

²¹⁷ Chandran Kukathas, 'Hayek and Liberalism' ed Edward Fester, *The Cambridge Companion to Hayek* (Cambridge: Cambridge University Press, 2006) 128

Liberal Party and had become acquainted with Fisher as a result of the Society for Individualists. Smedley's commitment to the Liberal Party was strong, standing in over 18 parliamentary elections primarily against the Conservative R.A Butler for his Saffron Waldon seat, before his split with the party in 1962 over the party's support for the European Economic Community. Cockett notes that by 1955, Smedley was running a bewildering a variety of free-market campaigns out of his offices in Austin Friars, London. Smedley was the head of the Cheap Food League, The Free Trade League as well as the Council for the Reduction of Taxation²¹⁸. Indeed, Smedley, as Vice-President of the Liberal Party stated his views clearly in 1955. Smedley said "I say and shall continue to say that the worst thing you can do with your money is hand it over to be spent by the state... Far better to keep it in a money box and sleep with it under your pillow at night. But, better still, invest it in your business or someone else's business. Anywhere else is better than letting it pass through the slippery fingers of the State"²¹⁹. Smedley was committed to these causes and of all the people discussed in this thesis along with Ernest Benn could be described as adherents to the old Liberal Party's mantra of laissez-faire. Indeed, Smedley, himself quipped that himself and S.W Alexander 'as the only active free-traders left in England in the 1950s'²²⁰. Smedley's hostility to state action at first may seem strange given that he often tended towards advocating Laissez-Faire, however, Smedley's power within the new Institute was often kept in check by Harris and Fisher. Once Fisher had accumulated his wealth, he set about forming the Institute. To Fisher the goal was simple: create an intellectually rigorous non-partisan organisation designed to convince 'the second-hand dealers of ideas' as suggested by Hayek. At the forefront of Fisher's mind was not only the conversation with Hayek but also the model of the Fabian Society, the socialist think-tank founded in the nineteenth century. Fisher was particularly conscious of the success of the Fabians explaining in a letter to Smedley, that the socialists succeeded by establishing the London School of Economics and with the help of Hugh Dalton and Laski succeeded in influencing a generation of undergraduates about the right way to view economics (through the socialist lens) and as such this generation left university and advanced those ideas through the media thus influencing the average person. Fisher wrote "*Socialism was spread in this way and it is time we started reversing the process*"²²¹. For Fisher, like Hayek, the medium for the was through the formation of the Institute of Economic Affairs. Fisher's vision for the Institute was explained in his letter to Smedley "Therefore the Institute of Economic

²¹⁸ Cockett, *Thinking the Unthinkable*, 124

²¹⁹ Meadowcroft and Reynolds, 'Liberals and the New Right' 45

²²⁰ Cockett, *Thinking the Unthinkable*, 125

²²¹ Antony Fisher to Oliver Smedley in Cockett, *Thinking the Unthinkable*, 131

Affairs has been formed to convey sound economic thought in Universities and all other educational establishments”²²². The Institute was formally constituted on the 9th of November 1955, as a charitable trust for the purposes of education, as donations from companies were tax-exempt under such an arrangement. The terms of this trust were broad with the description of the Institute of Economic Affairs as “a research and educational trust that specialises in the study of markets and pricing systems as technical devices for registrant preferences and apportioning resources. Micro-economic analysis forms the kernel of economics and is relevant and illuminating in the public and private sectors in collectivist and individualist societies”²²³. However, the Institute stated in its aims that it was a non-political organisation and had no affiliation to any party. This non-partisanship was to ensure that the IEA had a broad appeal and was not tainted by affiliation to one political party. Indeed, to make sure that strict political neutrality was maintained Alfred Suenson-Taylor, the 1st Lord Grantchester and Smedley were removed in 1959 to ensure that neutrality was maintained.

Nevertheless, despite this a large number of the early IEA members were members of Liberal Party or liberal activists, however the political neutrality of the IEA was never questioned seriously in the early years despite this link. Both Fisher and Smedley were trustees of the Institute, along with Smedley’s colleague at Austin Friars, J.S Harding. As well as the board of trustees, the advisory council was made up of Lord Grantchester, the President of the Society of Individualists and a Liberal peer who like Smedley wanted to keep Gladstonian Liberalism alive in the Liberal Party, as well as three LSE economists and a financial journalist. To run the Institute on a day to day basis, Fisher chose Ralph Harris as Executive Director, a Conservative and former member of the Conservative Research Department, who he had met in 1949. The second choice, at the suggestion of Lord Grantchester, who in turn was advised by Arnold Plant, was Arthur Seldon. Lord Grantchester made the conscious decision to suggest Seldon because he wanted to give the IEA ‘a liberal intellectual thrust’²²⁴. Seldon was well suited to this new role, after the war he had spent ten years working for the trade magazine *Store* as well as being an economic advisor the Brewer’s Association. Seldon was also active in Liberal Party. It was this background which made Arthur Seldon so useful in the early years of the Institute of Economic Affairs. Whereas Ralph Harris was in charge of securing funding, arranging meetings with politicians and the press, Seldon was behind much of the IEA’s intellectual output. Harris himself described the workload as “Arthur produced

²²² Cockett, *Thinking the Unthinkable*, 131

²²³ Cockett, *Thinking the Unthinkable*, 132

²²⁴ Meadowcroft and Reynolds, ‘Liberals and the New Right’ 48

the goods and I kept the shop' and that Seldon was the "engine room" of the Institute²²⁵. What makes Arthur Seldon's appointment as the editorial director of the Institute of Economic Affairs important was Seldon's commitment to economic liberalism, which was formulated through his contact with other early neoliberal thinkers examined in this thesis. Indeed Seldon, above all the individuals discussed in this thesis highlights the interstitial development of an individual's ideas through interaction with other thinkers and institutions. Seldon was very much a product of the London School of Economics during the 1930s. As it has already been discussed, the LSE in the 1930s was the primary centre for economic liberalism at a time, when as Seldon explains free-market economics was under attack by the "hostile anti-capitalist world of the 1930s". However, instead of supporting the ideas of planning, Seldon sympathised and was more receptive to the ideas of Hayek, Robbins and Plant. As a result, Seldon came out of his education at the LSE as someone committed to the idea of the market economy, and classical liberalism. As Meadowcroft and Reynolds note that "Seldon's training in classical economics at the LSE instilled in him a belief that it was only the market economy that could efficiently and fairly ration scarce resources"²²⁶. Seldon himself drew a link between his experience at the LSE and his position in the IEA, Seldon wrote "the LSE of the 1930s lived on in the IEA in the 1950s"²²⁷. Seldon's biographer states that "His IEA post gave him the opportunity to develop the classical liberal ideas he had found so attractive during his student days, to work out their practical implications for the post-war British economy and society and, in combination with like-minded scholars, to publicise the results"²²⁸. Seldon's years at the LSE had produced a mind dedicated to the cause of classical liberalism and market economics which transitioned well into his post at the IEA. Indeed, the LSE also served a secondary purpose which influenced Seldon's political philosophy, when he joined the London School of Economics Liberal Club and subsequently the Liberal Party. Seldon explained his decision as one in which "the Conservative Party was too socialist and the Labour Party too conservative, at least the Liberal Party sounded right". With his introduction to Liberal Party politics at university, Seldon went on to apply his education at the LSE to Liberal Party policy. His service in writing the Ownership for All report as well as his own *The Drift towards the Corporate State* and his chairmanship of the pensions committee in 1948 all contributed to Seldon's intellectual development and offered him a chance to influence policy. Indeed, his work on pensions in 1947 led to Phillip Fothergill asking

²²⁵ Robinson, *Arthur Seldon*, 61

²²⁶ Meadowcroft and Reynolds, 'Liberals and the New Right' 49

²²⁷ Arthur Seldon, *Collected Works*, ed Colin Robinson, Volume 7 (Liberty Fund, 2004) p.75

²²⁸ Robinson, *Arthur Seldon*, 34

him to chair the committee on pensions and its report that argued that the welfare state had put the future of Friendly Societies and the voluntary welfare movement at risk was accepted by the Liberal Assembly in 1948. Seldon was committed to his ideas and with the twin experiences of the London School of Economics and the Liberal Party created in Arthur Seldon, the perfect candidate to evangelise the benefits of the market liberalism during this period. Indeed, Seldon and his wife Marjorie, remained very active in the Liberal Party in Orpington throughout the 1950s and 1960s, where the party won a surprising by-election victory in 1962, with both serving as presidents of the association.

Seldon's goal, as Editorial Director, for the IEA's publications was simple: the works should be short, between 10,000-15,000 words, easy to understand for non-experts and avoid unnecessary technical terms. If technical terms were required, they would be fully explained. Furthermore, the IEA was to focus on practical policy applying the ideas of market liberalism, particularly the supremacy of the price mechanism over interventionist measures advocated by government, as an alternative to the prevailing consensus²²⁹. Seldon coupled this by creating different styles of IEA publications; such as the Hobart Papers, Occasional Papers and Readings each designed to be a particular length, originality of the research and cover a wide variety of topics creating a more holistic view of the world in a series of works²³⁰. Above all else, Seldon desired to make sure that the academic standards of the IEA were never in doubt and as a researcher for the Liberal Party, as well as ten years in commerce, Seldon was well placed to make sure the intellectual arguments of the IEA were articulated to a wide audience, as his biographer Colin Robinson notes²³¹. What made the IEA successful was its mantra of 'thinking the unthinkable' and certainly in the early years of the Institute's foundation, the IEA was set apart from the majority consensus view advocated in public discourse. Seldon and Harris set out this task in the spirit of what Hayek originally explained to Fisher. As Cockett points out the "*modus operandum* of the IEA was based on Hayek's guiding principle, that they had to fight and win the intellectual battle over the course of twenty or more years without regard to the short-term political situation"²³². To Seldon and Harris, they knew the benefit of the free market and market liberalism, it was merely their jobs to convey and evangelise the market economy to everyone else. In the early years, under Seldon's direction, the IEA produced a steady stream of publications on a variety of topics. Cockett notes that "Under Seldon's direction, the IEA thus

²²⁹ Colin Robinson, *Arthur Seldon*, 64

²³⁰ Colin Robinson, *Arthur Seldon*, 64

²³¹ Colin Robinson, *Arthur Seldon*, 64

²³² Cockett, *Thinking the Unthinkable*, 139

tried to apply the principles of economic liberalism to as wide a range of economic activity as possible”²³³. Indeed, one of the IEA’s first publications was Seldon’s own *Pensions in a Free Society*, which called for the winding-up of the state pension and the creation of a private pension system²³⁴. In the early years, the IEA published *Hire Purchase in a Free Society*, *The City’s Invisible Earnings* by W.M. Clarke and *The Future of the Sterling System* by Paul Bareaux in 1958 as well as *Advertising in a Free Society* by Harris and Seldon in early 1959. During Seldon’s time as the Editorial Director, he edited 350 IEA monographs, authored 28 books and monographs and, wrote 230 articles²³⁵.

Throughout the late 1950s, 1960s and the 1970s, the formidable partnership of Ralph Harris and Arthur Seldon continued to work tirelessly for the promotion of free market ideas. In 1959, the Institute of Economic Affairs hosted the Mont Pèlerin Society general meeting at Christ Church, Oxford in which Harris and Seldon presented a paper to the assembled members titled *Tactics and strategies of the advance to a Free Economy*. The paper was designed to explain how Harris and Seldon believed the message of market liberalism could be conveyed to wider audience, using the Institute as their reference point to promulgate this message. To Seldon and Harris, their approach was straightforward. They argued that the “philosophy of the market economy must be widely accepted; this requires a large programme of education”²³⁶. To do this they argued, just as Hayek had suggested to Fisher, and Fisher had explained to Smedley, they must tailor their education at varying levels to target the influencers of opinion; intellectuals politicians, businessmen and journalists. Indeed, Seldon and Harris, expanded this much further into a programme of education which could be utilised for convincing the opinion-formers arguing that the programme must promote the virtues of the market economy, explain that this is consistent with existing moral and political codes and thirdly remove misconceptions by explaining them in plain english, as Seldon was doing in his role as Editorial Director. Harris and Seldon were explaining what the Institute of Economic Affairs was about and how they were determined to overturn the tide of intellectual opposition to market liberalism through a comprehensive system of education in market economics. It was this method that the two men continued their work throughout the 1960s and 1970s, they were to produce easy to understand explanations as to why market liberalism is best, regardless of political concerns, and those interested would come to learn more from the Institute of Economics Affairs. From the world of

²³³ Cockett, *Thinking the Unthinkable*, 141

²³⁴ Cockett, *Thinking the Unthinkable*, 141

²³⁵ Meadowcroft and Reynolds, ‘Liberals and the New Right’, 49

²³⁶ Cockett, *Thinking the Unthinkable*, 142

politics, early followers included many of those associated who would later serve with Margaret Thatcher including Geoffrey Howe, Sir Keith Joseph and before his infamous Rivers of Blood Speech in 1968, Enoch Powell. As well as many Conservatives, Jo Grimond - Liberal leader between 1956 and 1967 and John Pardoe MP, Liberal Party economics spokesman had been known to attend IEA.

The impact of the Institute of Economics Affairs cannot be understated, from its creation in 1955, the Institute was at the forefront of disseminating the ideas of economic liberalism during the 1960s and 1970s helped establish a genuine school of thought behind British neoliberalism which could be advanced through the Institute's work. Indeed, for much of the 1960s and 1970s the IEA acted as the one institutional voice in Britain advancing these ideas until other institutions were created from the 1970s. Its work and influence spawned several separate organisation such as the Centre for Policy Studies, set up by Sir Keith Joseph in 1975²³⁷ and the Adam Smith Institute in 1977 set up by Madsen Pirie and Eamon Butler, which all broadly subscribed to the free-market mantra the Institute was promulgating from the 1950s. In addition, the papers edited by Seldon and produced by a wide-range of authors generated publicity for tackling topics considered too politically-sensitive for the mainstream political parties but would be realised as government policy following the election of the Thatcher government and beyond. This was the strength of the IEA, the academic rigour of its work, as enforced by Arthur Seldon, which only increased the reputation of the IEA overtime as more politician, journalists and businesspeople went to the IEA throughout the 1960s and 1970s. Indeed, as Ben Jackson notes, corporate subscriptions to the IEA increased dramatically between the 1960s and 1970s, the number of corporate donors to the IEA increased rapidly from 110 in 1962 to 299 in 1968, where it remained stable at between 250 and 300²³⁸. Indeed, a number of IEA publications which later became government policy included the cost of university tuition could be covered by loans backed by the state²³⁹, a comparison between the private U.S telephone system and the public system in the UK which concluded that there was no economic reason as to why the telephone system should be state-owned²⁴⁰ as well as an attack on the Resale Price Mainte-

²³⁷ Keith Joseph's memorandum on the creation of the Centre for Policy Studies, the memorandum undated was sent to Ralph Harris by letter for comment for comment in July of 1974. IEA MSS (Hoover Institution): Box 295 from Margaret Thatcher Foundation <https://www.margaretthatcher.org/document/114764> Date Accessed, 7th Dec 2017.

²³⁸ Ben Jackson, 'Think Tank Archipelago: Thatcherism and Neoliberalism' ed Ben Jackson and Robert Saunders, *Making Thatcher's Britain*, (Cambridge: Cambridge University Press, 2012) 47

²³⁹ Prest, *Financing University Education* (IEA 1960)

²⁴⁰ Michael Cane *Telephones - Public or Private* (Hobart Paper 36, IEA 1966).

nance²⁴¹. Although establishing a link between the influence of the IEA on changes in government policy is hard especially given the distance in time between the implementation of some of the IEA authors suggestions, it is testament to the work of the IEA that these ideas eventually did find traction within mainstream political discourse in the 1980s and beyond. If we take two examples, tuition fees and the telephone paper both published in the 1960s, we can get a sense of the change in public policy between then and now. In the case of tuition fees when first published by the IEA in 1960, the concept would be considered politically impossible for any government to implement the policy to the introduction of tuition fees in September 1998, when it was introduced by the New Labour government of Tony Blair, a paradigm shift in the public attitude to the role of government in providing services had occurred. Indeed, in the case of the telephone system between the IEA paper in 1964 and the telephone system being privatised by Margaret Thatcher's government, the first in her programme of privatising state-owned assets, in 1984, Britain had already undergone a transformation as the state-owned assets were no longer so sensitive as to cause political damage. With both of these IEA papers, it would seem that Hayek's original concept of the 'battle for ideas' as advocated to Fisher in 1947, did appear to come to fruition in the public policy debates of the 1970s, 80s and 90s. It would be spurious to link these exact changes in policy with the Institute of Economic Affairs but what it does highlight that from the creation of the IEA in 1956 to the 1979 election of Margaret Thatcher, the intellectual mood was shifting and the IEA was at the forefront of this change. Indeed, as correctly Cockett notes "By the mid-1970s, therefore, the IEA had, over the course of twenty years, developed a coherent body of free-market ideas, applicable to all areas of the economy. They had articulated a coherent set of principles, the principles of economic liberalism, applicable to a modern economy, thus fulfilling Hayek's 1947 hope that the economic liberal would refine and develop liberalism into a modern, vibrant philosophy"²⁴².

V

The intellectual development and origins of neoliberalism in Britain therefore came in two distinct strands, the ideas presented by the individuals themselves and the institutions which provided the networks for the development, enrichment and promulgating of the ideology. In terms of the development of neoliberalism as an intellectual concept, the early neoliberal theorists sought to redefine the relationship between the economy and the state, by seeking to redefine what it meant to support

²⁴¹ Basil Yamley, *Resale Price Maintenance and Shopper's Choice* (Hobart Paper, 1, IEA 1960)

²⁴² Cockett, *Thinking the Unthinkable*, 137

a liberal market-orientated agenda during this period. At the forefront of their arguments were the traditions of British classical liberalism and classical economics, which often provided the language and core ideas to early neoliberal thought in Britain. The concept of a free-economy, the rights of the individual and the rule of law, all played a significant part in the formation of the British neoliberal view of the state and the relationship between the power of the state and the freedom of the individual. As this thesis has shown, the Ownership for All committee report and Hayek's *Road to Serfdom* all tried to explain their reasoning with the language and ideas of British classical liberalism. The Ownership for All report with its call for the expansion of property-ownership as the way to provide freedom tallied with the ideas that private property is the bedrock of society. Indeed, the issue of property ownership and the land question was a topic of frequent discussion in liberal thought for much of the nineteenth century and early twentieth century. In the *Road to Serfdom*, Hayek's conceptualisation of the relationship between the state and the economy was framed in terms of the rule of law drawing on classical liberal, nineteenth century English thinkers such as A.V Dicey and Lord Acton to conceptualise a system of governance based on a firm framework of laws designed to allow the free-market economy to flourish. However, whilst the early neoliberal theorists utilised the same language and arguments proposed by classical liberal theorists, they should not be mistaken for the same argument rebranded, but redefined. Rather than being divorced from classical liberalism, there are clear intellectual stands which can be drawn on to understand the development of the emerging neoliberal thought in mid-twentieth century Britain, both stated and unstated. The fact that the individual thinkers in this thesis saw themselves as liberals is not to be dismissed, as it indicates a level of engagement with liberal theory, however active or passive, which assisted in formulating their opinions throughout the period.

The early neoliberal theorists which influenced the development of British neoliberalism sort to redefine their 'liberalism' by utilising their classical liberal forbearers as a reference point not the defined, correct point of view. The relationship between the longer tradition of British classical liberalism and the formation of neoliberalism during mid-twentieth century should therefore be seen as a foundation, in which the errors and inconsistencies of classical liberalism could be corrected and refined into a more purposeful conceptualisation of the state and the economy rather than classical liberalism under a different name. The core principles expressed in this thesis as classical liberal thought: the power relationship between the individual and the State, individual freedom, the rule of law, private property all fed into the early neoliberal critiques of economic intervention as highlighted by Robbins, Hayek, Seldon and the Ownership for All committee in their critiques of monopoly for example. However, the early neoliberal theorists adapted and redefined their critiques

based on the problems facing the contemporary world in the form of fascism, communism and nationalism, as it has already been stated a simple defence of the liberal interwar economy was becoming increasingly redundant in the world demanding change for alleviating poverty and unemployment, particularly after the Second World War and the election of the Attlee administration. As such, the early neoliberals off-loaded a considerable amount of the language closely associated with the traditions in British classical liberalism throughout the 1930s and 1940s, above all the concept of laissez-faire. Laissez-faire was one of the first concepts to be jettisoned by the early British neoliberals as an erroneous element of liberal thought. To the early neoliberal theorists, the state did have an important role to play, it was there to provide the framework - under the rule of law - in which economic activity could take and indeed legislate to prevent the formation of monopolies, fraud, restricted practices and unsafe working conditions. As Hayek explained in the *Road to Serfdom*, this was all possible without impeding on general freedom. In addition, Robbins in his *The Great Depression* decries the tendency to believe that market liberalisation is laissez-faire, instead highlighting the state has important functions such as the governance of maintaining rules for contracts. Indeed, the Ownership for All committee summarised the situation well in describing the role of the state is to “provide the conditions for liberty” by quoting the Liberal Party constitution of 1936. Instead of the state having no business intervening in the market, as per the classical liberal argument in favour of laissez-faire, the early neoliberal theorists gave the state an important function in ensuring that the conditions of liberty existed and were reinforced against wrongdoing. However, all of this had to be done though agreed principles and based on the rule of law, it could not be done on the grounds of economic planning. For the early neoliberals, the state was a framework, it was not the function of the state to direct economic activity.

However, what marks British neoliberalism out as a distinctive concept is the inversion of the relationship between the economic freedom and political freedom. Whereas, the British classical liberal tradition considered political freedom to be the most important, the early neoliberals believed that economic freedom naturally led to political freedom. This is most clearly expressed in Hayek’s *Road to Serfdom* in the way he utilises classical liberal doctrines such as the rule of law to justify why economic freedom is so important to the individual. Indeed, the Ownership for All committee also hints at this, by highlighting with the expansion of property, the individual can be free from coercive power. Only with a wider diffusion of property ownership can individuals be protected against the coercive powers of state, as referenced by their analysis of fascism and communism in the early part of their report. Political freedom, in neoliberalism becomes subservient to economic freedom, as economic freedom is seen as the guarantor of political freedom. This inver-

sion of the relationship between economic freedom and political freedom is probably the central difference between the two concepts, British classical liberalism and British neoliberalism, during the early discussions on what would become neoliberal thought. With this inversion of the relationship between political and economic freedom, the early neoliberals were able to portray this fledgling intellectual movement as one based on positive rather than negative freedom. Instead of focusing on the coercive power of the state, as classical liberalism did in terms of the coercive political power, early neoliberalism focused on the freedom which market liberalism could provide.

The second strand which was important in the intellectual development of neoliberalism is the institutions in which the early neoliberal thinkers in this thesis congregated. Whereas the ideas came from the individuals, it was the institutions that allowed them to converse and discuss their fears about liberalism during this period. The London School of Economics was the first such institution which acted as a conduit for the emergent British neoliberal thought, with the school's Economics Department under the control of Lionel Robbins becoming a centre for classical economic theory. Indeed, with the admission of Hayek to the Tooke Chair and Arnold Plant, the School rapidly gained a reputation as the foremost institution in Europe dedicated to economic liberalism, as noted earlier in the thesis. As the reputation of the school grew so did the academics drawn to its arguments. As the hotbed for economic liberalism during the 1930s, the LSE's primary role was creating a generation of economists who were well-versed in the ideas of classical liberal economics rather than the prevailing and more fashionable studies in planning conducted throughout the period.

At the same time, the Liberal Party during the early 1930s became a place in which for historical reasons those most keen to defend the free-economy congratulated, however, the organisation was the first to see the first practical policy ideas trying to blend the ideas of classical liberalism into what would become some of the hallmarks of British neoliberalism. The Ownership for All committee's report, under the chairmanship of Elliott Dodds, saw the first attempt to call for a wider diffusion of property through a variety of measures including the graduation of death duties. However, although the Ownership for All can be seen as distributist document, it should also be seen as the first neoliberal expression in the Liberal Party. Indeed, the policies calling for government action to rectify monopolies, in the form of reversing the corporatisation of the British economy, restoring free trade and suspending subsidies on domestic products would all contribute to greater economic freedom for the individual. Indeed, the Ownership for All committee makes the shift which Hayek would more formally lay out in the *Road to Serfdom*, economic freedom is a guarantee of political freedom, which is one of the hallmarks of British neoliberalism, but is explained

through the medium of private property-ownership. The future of British neoliberalism was not to be found in the Liberal Party, however, as following the Second World War, apart from the Unservile State Grouping founded by Dodds in 1953, by the end of the period of this thesis the party had undergone a left-ward shift, despite the leader Jo Grimond's sympathy for the group's aims. Indeed, following the war there was a noticeable shift between Liberal Party members operating outside the party for the advancement of liberal economics rather than in the party by the mid-1950s, as shown by the number of liberal activists both in the Society for Individualism and the Institute of Economic Affairs, indicating a shift for those interested in developing market liberalism, their goal was better served outside of political parties who broadly accepted the post-war consensus.

However, above all, the most important institution which helped to truly develop British neoliberalism as a coherent strand of thought is the Institute of Economic Affairs. The foundation of the IEA is different however to the other institutions discussed in the thesis; the Mont Pèlerin Society, the Liberal Party and the London School of Economics because none of them had the specific agenda to promote economic liberalism in Britain as their central goal, the IEA should be seen as both the beginning and an end for neoliberal thought in Britain. Whereas, before the network of individual thinkers was wide-spread, an interconnected web of individuals operating in various institutions, what the IEA came to represent was the focus-point of the new neoliberal ideas which had been developing from the early 1930s in the LSE to the culmination in the formation of the IEA in 1955. Indeed, the IEA represents the break in which neoliberalism becomes a distinctive concept focused around the simple premise that market solutions can be found in practical economics rather than utilising older forms of liberal traditions that Hayek, Robbins and Dodds attempt to in the 1930s and 1940s through complex explanations of classical liberal theory in their various works. The IEA, on the other hand, focused on the need for practical policy ideas which could eventually influence politicians skeptical of the post-war consensus. Instead of utilising grand ideas of older liberal traditions to form broad ideological justifications for freedom, British neoliberalism became an ideology hard to pinpoint and easily adaptable because it had few central pillars following 1955 other than a) economic freedom is critical to the preservation of political freedom, b) government is not always the answer to economic issues and c) the market is above all the most efficient way of allocating economic resources. Whereas, Hayek had attempted in the *Road to Serfdom* to develop a new conceptualisation of the state and the economy, whilst utilising the core ideas of classical liberalism, the IEA was created to peddle a narrative that market liberalism is best and the philosophical concerns which plagued Hayek, Robbins and Dodds were redundant to Harris and Seldon. British neoliberalism, as advanced by the IEA, became one in which economic analysis and the freedom of

the market would be the most discernible features of post-war neoliberalism rather than trying to fit it into a broader tradition of liberal thought. To continue the analogy I utilised earlier in my thesis regarding the development of neoliberalism: if the London School of Economics and the Liberal Party were British neoliberalism in its infancy, the *Road to Serfdom* and the Mont Pèlerin Society were its adolescence, then the IEA would become its drive towards maturity.

The early intellectual origins of development of British neoliberal therefore utilised British classical liberal thought as a reference point in which to highlight the intellectual tradition of what would become neoliberalism. However, classical liberalism was redefined to suit the needs of this new intellectual movement and focused on the premise that capitalism is the guarantor of freedom against governments by inverting the traditional relationship between political and economic freedom. The road to freedom was now based in economics not politics and that is what the early British neoliberals sought to show. This emerging ideology formed by individuals and advanced through institutions would go on to have a profound effect on late twentieth century politics, informing what has been dubbed the neoliberal consensus.

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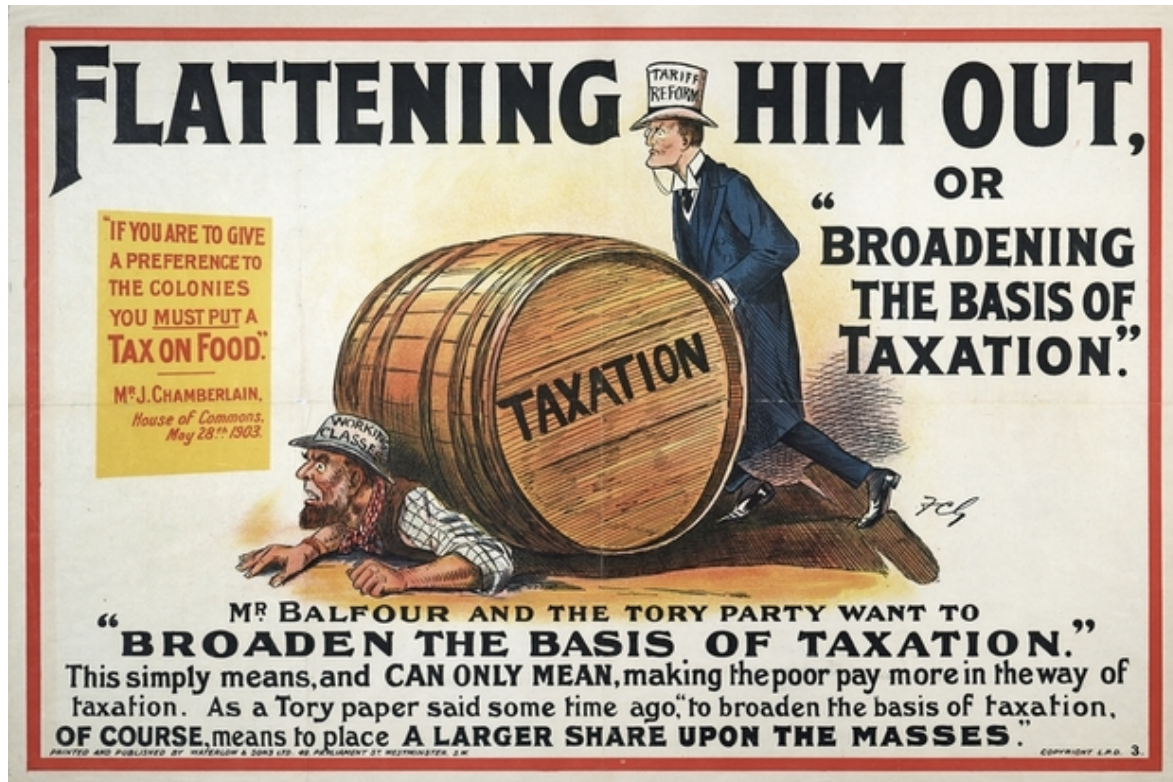
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Appendix One: Free trade posters during the 1906 Election Campaign



Liberal Party Election Poster (1906), Artist Unknown (London: Liberal Publication Department) LSE Archive Ref: COLL MISC 0519/19



F.C.G [Francis Carruthers Gould] (London: Waterlow and Sons) LSE Archive ref: COLL MISC 0519/31

HOW THE TORIES HAVE INCREASED THE COST OF LIVING

Last LIBERAL year
(1895).



Last TORY year
(1905).



TORY ADDITION ON TEA
TWPENCE (2^d) PER POUND.

Last LIBERAL year
(1895).



Last TORY year
(1905).



The TORIES now propose to TAX

YOUR BREAD & CLOTHES

VOTE ONLY FOR

LIBERALS & FREE TRADERS

Published by the LIBERAL PUBLICATION DEPARTMENT 43, Parliament Street, Westminster, S.W., and Printed by The Avenue Press, Ltd., 6 and 8, Boulevard Street, First Street.

Artist Unknown (London: Liberal Publication Department) LSE Archive Ref: COLL MISC
0519/37

Appendix II: The Land

THE LAND

(Words: unknown. Tune: Marching Through Georgia; Henry Clay Work)

Sound the call for freedom boys, and sound it far and wide,
March along to victory for God is on our side,
While the voice of Nature thunders o'er the rising tide,
"God gave the land to the people!"

Chorus:

The land, the land, 'twas God who made the land,
The land, the land, the ground on which we stand,
Why should we be beggars with the ballot in our hand?
God made the land for the people.

Hark the sound is spreading from the East and from the West,
Why should we work hard and let the landlords take the best?
Make them pay their taxes on the land just like the rest,
The land was meant for the people

repeat chorus

Clear the way for liberty, the land must all be free,
Liberals will not falter from the fight, tho' stern it be,
'Til the flag we love so well will fly from sea to sea
O'er the land that is free for the people

repeat chorus

The army now is marching on, the battle to begin.
The standard now is raised on high to face the battle din,
We'll never cease from fighting 'til victory we win,
And the land is free for the people

repeat chorus

Words taken from the Liberator Songbook published by the Liberator Magazine. <https://liberatormagazine.org.uk/en/document/liberator-songbook#document> (Accessed 1st Dec 2017)