

Renewing Economic Liberalism?

The Walter Lippmann Colloquium and the Inaugural Meeting of the Mont Pelerin Society,

Re-Visited

Introduction

In this paper, I analyze the core arguments at issue in two efforts aimed at renewing economic liberalism¹: the 1938 Walter Lippmann Colloquium and the 1947 inaugural meeting of the Mont Pelerin Society. I focus mainly on the arguments at issue in the written proceedings of each gathering, and on the two books that provided the intellectual scaffolding for the Lippmann Colloquium.

The roadmap of this paper is straightforward. First, I assess the contested place of “neo-liberalism” in the literature. Second, I analyze early “neo-liberal” ideas in the framework of the two books that provided the intellectual scaffolding for the Lippmann Colloquium: Walter Lippmann’s *The Good Society* and Louis Rougier’s *Les Mystiques Économiques*. Third, I analyze the limited “neo-liberal” consensus reached at the Lippmann Colloquium from the vantage point of efforts to “revise” economic liberalism. Fourth, I assess attempts made at the inaugural meeting of the MPS to renew and revise economic liberalism. I conclude with some reflections on our current (2022) crises, and possible lessons we can draw from the Lippmann Colloquium and the inaugural meeting of the Mont Pelerin Society.

“Neo-liberalism” and early neo-liberal thought : highly contested terrain

When assessing a specific event such as the Lippmann Colloquium, it is helpful to make a distinction between three conceptually related, but distinct, areas of study. First, there is the Colloquium itself. What was its significance in the crystallization and context of early neo-liberal thought, and how has it been assessed and interpreted either by former participants themselves or by third parties? ² Second, there is

¹ The term “liberalism” in this paper is used in the European, or classical sense, referring to limited government and dispersed power.

² Contributors to a special issue of the *Journal of Contextual Economics* recently assessed the Walter Lippmann Colloquium’s enduring significance in the history of economic ideas, while situating the Colloquium in a particular historical context (see Horn, Kolev, Levy and Peart 2019; Diemer 2019).

On earlier interpretations of the Colloquium, see Pirou 1939; Marculesco 1943; Bouvier-Ajam 1943; Fabre-Luce 1946; Cros 1950; Baudin 1953; Röpke 1953; Lambert 1963; Rueff 1977; Denord 2001. I am indebted to Serge Audier for several of these references. Several of the challenges in interpreting the Colloquium are assessed in Reinhoudt & Audier (2018).

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“neo-liberalism” as a set of ideas, involving a certain intellectual trajectory marked by continuities as well as by discontinuities. How was “neo-liberalism” defined, developed and interpreted as a set of ideas, by participants of the Walter Lippmann Colloquium themselves³, by those who invoked the term prior to the WLC⁴ or by third parties after 1938⁵? Third, there is the empirical question: how should “neo-liberalism” be defined so that it can be effectively measured? What are its empirical characteristics? What are the independent and dependent variables at issue? How is “neo-liberalism”, for example, connected to reforms of the welfare state in the late 20th and early 21st century?⁶

In order to assess the arguments at play at the Lippmann Colloquium and the inaugural meeting of the MPS, however, a few words should be said about “neo-liberalism”. More than “liberalism” or “conservatism,” “neo-liberalism” is a contested—some might say a highly charged— concept.⁷ There are always methodological differences at play when it comes to interpreting political ideas and concepts.⁸ Beyond this, however, each of these concepts—liberalism, conservatism, neo-liberalism—encompasses significant internal heterogeneity as well as multiple “internal” strands, which makes issuing decisive pronouncements on their “true nature” challenging.

The heterogeneity of early neo-liberal thought has not been entirely overlooked, but in recent years it has had to be “uncovered” with some effort. In the past, scholars such as Bilger (1969), Petersmann (1983, 237), and Meijer (1987) had explicitly recognized the diversity of early neo-liberal thought. Bilger wrote explicitly of “the various neo-liberal schools” (“*les diverses écoles néo-libérales*”), “often [possessing] quite specific characteristics”.⁹ From the 1990s on, however, a more nuanced interpretation of neo-liberalism—deeply cognizant of its internal heterogeneity and its internal strands— would gradually be eclipsed by less-nuanced and less-historically contextualized interpretations. Indeed, the term “neo-liberalism” has been commonly used to refer (almost invariably in a critical vein) to the programs of Roger

³ Baudin 1953; Rougier 1961; Rueff 1977.

⁴ I am indebted to Serge Audier for the reference to Pierre-Étienne Flandin’s use of the term “neo-liberalism” (Flandin 1933); see also Horn 2018 on how the term predated the Lippmann Colloquium.

⁵ See Boas and Gans-Morse 2009; Audier 2012a, James 2020.

⁶ See Levy 2006, Prasad 2006, Pierson 1995; Green-Pedersen 2004.

⁷ On nuances within liberalism, see for instance Manent 1995; Kymlicka 2005; Cherniss 2021.

On the difficulties of defining “conservatism,” see Huntington 1957; Kuehnelt-Leddihn 1955, Schildt 2008, Muller 1997, Kinneking 2000, 2018; Robinson 2019.

On nuances and heterogeneity within “neo-liberalism”, see for instance Audier 2012a, Kolev 2020.

⁸ See Richter 2009, Philp 2008, and Klosko 2011 (Ch. 1-5).

⁹ Bilger 1969, 3; see also Bilger 2003.

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Douglas, Ronald Reagan and Margaret Thatcher, or as a poorly (or un-) defined term of derision, the meaning of which was supposed to be readily understood without, however, being well-defined.¹⁰

More precise, nuanced definitions or analyses of “neo-liberalism” have often been eclipsed in both public debate and scholarship by more pejorative, facile or poorly defined uses of the term, and by allegations that “neo-liberalism” is guilty of serious violations of human dignity.¹¹ Analytically, it remains unclear whether, in the eyes of its critics, “neo-liberalism” refers to a strong centralized State that implements markets “from above”, or instead to a State that passively lets large areas of society be subjected to market forces, in the eyes of its critics effectively abdicating its proper responsibilities.

The term “neo-liberalism” has therefore often been used as a “*Kampfbegriff*” (Willgerodt 2006). One author, though himself critical of capitalism, warned that neoliberalism is “the linguistic omnivore of our time, a neologism that threatens to swallow up all the other words around it”¹². In a similar plea for analytical caution, Galbraith, who sought to provide a more precise definition of neo-liberalism, warned that “actual policies and institutions in the United States never corresponded to this ideal type” of “neo-liberalism”¹³. James has warned that “the portmanteau label neoliberalism, and not the original idea, has now become an obstacle to precise analytical thought” (James 2020, 485). Here, it is this original idea, or set of ideas, that is of interest.

Generally, scholars interested in “neo-liberalism” and intellectual networks have focused more on the trajectory of, and intellectual networks emanating from, the Mont Pelerin Society after World War II, and somewhat less on the the formation of nascent “neo-liberal” thought in the context of the 1930s.¹⁴ Recent years, however, have witnessed a growing interest in early “neo-liberal” thought, and as a result, the heterogeneity and internal diversity that marked (early) neo-liberal thought has increasingly been acknowledged in the literature.¹⁵

¹⁰ James (2020) provides an assessment of how use of the term “neo-liberalism” has changed in recent decades.

¹¹ Bourdieu (1998) ascribed ominous characteristics to neo-liberalism and its reality (“*une sorte de machine infernale*”); Monbiot (2016) referred to neoliberalism as “the ideology at the root of all our problems”; Metcalf (2017) referred to it as “the ideology that swallowed the world.” Becker, Hartwich, Haslam (2021) allege that “neoliberalism can reduce well-being by promoting a sense of social disconnection, competition, and loneliness”. Regrettably, these assertions are often removed from a contextual historical analysis of neo-liberalism as a set of ideas.

¹² Rodgers 2018.

¹³ Galbraith 2021.

¹⁴ See for instance Mirowski & Plehwe 2009.

¹⁵ The study of early neo-liberal thought has witnessed renewed interest in recent years. See Wegmann 2002; Willgerodt 2006; Chavance 2007; Denord 2007; Plickert 2008; Mirowski & Plehwe 2009; Jackson 2010; Brookes 2012; Burgin 2012; Diemer

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The literature on early “neo-liberal” thought has also benefited handsomely from the growing attention paid to “ordo-liberalism”, both as a theoretical set of ideas and as an influence on public policy¹⁶. In ordo-liberal thought—and in early “neo-liberal” thought more broadly—the State plays a vital role in creating the institutions within which a competitive market order can arise, thrive and endure.

One challenge of terminology has been that in the past, the terms “neo-liberalism” and “neo-liberal” have been used almost interchangeably for referring—certainly not without some justification—to the German “ordo-liberals” and economic liberalism such as it existed in the post-war German Federal Republic and its “social market economy.”¹⁷ Indeed, the question of how best to refer to the “reformist” strand of economic liberalism that arose in the ferment of the 1930s has been a real challenge, including for the reformist liberals themselves. Rougier (1938) had initially invoked the term “constructive liberalism”; several years earlier, Henry Calvert Simons had conceived of “a positive program for *laissez-faire*”. At the Lippmann Colloquium, suggestions for naming the incipient movement included “individualism” (Baudin), left-liberalism (Rueff), “positive liberalism” and “social liberalism” (Marlio), and of course “neo-liberalism” (Rüstow).

Although early “neo-liberal” thought encompassed that which would subsequently crystallize more formally into “ordo-liberal” thought, reformist “neo-liberalism” in the 1930s was a broad intellectual category, and “ordo-liberal” thought was one hub, or strand, among several under a broader umbrella of “neo-liberalism”¹⁸ There were strands of reformist liberalism in existence in the 1930s that were distinct from what would later become “ordo-liberalism”.¹⁹ Methodologically, Kolev (2020, 26) cautions that

2013, 2017; Stedman-Jones 2014; Caré and Châton 2016; Slobodian 2018; Biebricher 2019; Horn, Kolev et al. 2019; Kolev 2020; James 2020; Beddeleem 2020; Colin-Jaeger 2021; Dyson 2021; Caldwell 2022. Some have explicitly rejected a pejorative use of the term “neo-liberalism” (Hartwich 2009). Audier’s work has done contributed much to conveying the complexity and internal heterogeneity of early neo-liberal thought (Audier 2008, 2012a, b). In addition, Wegmann 2002, Willgerodt 2006, and Plickert 2008, among others, have sought to provide a nuanced, contextualist reading of early neo-liberalism; similarly, Campbell & Pedersen (2001) sought to provide a careful, non-polemical definition and analysis of the term’s usage. Boas & Gans-Morse (2009) provide a valiant effort to grapple with the term’s meaning.

¹⁶ Recent years have witnessed an increase in research and scholarship pertaining to “ordo-liberalism” specifically: see Koslowski 2000; Broyer 2001; Labrousse and Weisz 2001; Bönker and Wagener 2001; Boryer 2001; Commun 2003; Goldschmidt and Wohlgenuth 2008; Vanberg 2011; Horn 2021; Kolev 2015; Commun 2016; Kolev 2020; Dold & Krieger 2020; Fritz, Goldschmidt and Störing 2021; Schnellenbach 2021; Fritz & Goldschmidt 2022.

There are also important antecedents: Zweig 1980; Stützel, Watrin, Willgerodt and Hohmann 1982; Schmidtchen 1984; Grosseketler 1989; Peacock and Willgerodt 1989; Barry 1989; Leipold 1990; Streit 1992; Rieter & Schmolz 1993.

“Ordo-liberalism” has its own strands, subdivisions and nuances; it contains theoretical contributions as well as empirical public policy influence.

¹⁷ See for instance Friedrich 1955; Oliver 1960; Megay 1970.

¹⁸ Ordo-liberal thought is not unitary and possesses its own internal heterogeneity and approaches (see Vanberg 2004).

¹⁹ See Audier 2008 on the complex nuances at play.

There are other intellectuals who might be considered “neo-liberal” in the context of the 1930s who did not take part in, were unable to take part in, or were not invited to, the WLC. Henry Calvert Simons (Simons 1934), can in certain respects be viewed as an early “neo-liberal” thinker. Simons was supportive of the market economy, but held a number of institutionalist concerns that, he argued, had to be grappled with for the market order to subsist and endure. Simons viewed *laissez-faire* at its inception as

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speaking of “schools” in the context of the 1930s implies clear demarcations, or tidy separations, which did not yet exist. An active debate presently exists on where exactly boundaries between various liberal “hubs” in the 1930s ought to be drawn²⁰. Although scholars disagree, therefore, about where specific boundaries should be drawn, and about how best way to categorize the “hubs” of the late 1930s, there is little doubt that early neo-liberal thought was heterogeneous, and Audier has described early neo-liberal thought as a “very heterogeneous international liberal nebula”.²¹ This heterogeneity did not, however, preclude agreement between “neo-liberal” thinkers on certain principles.

If the term “neo-liberalism” were devoid of analytical value, it should be discarded and replaced with a more analytically useful term. The term “neo-liberalism” does possess analytical value, however, because “neo-liberalism” consists of a particular set of ideas that contained internal heterogeneity, a set of ideas with its own intellectual trajectory, and one that can be traced historically.

Methodologically, in and of themselves, the Lippmann Colloquium and the inaugural meeting of the MPS do not necessarily define the absolute outer “limits” of early neo-liberal thought, or exhaust the meaning of “neo-liberalism”. Nevertheless, each gathering does constitute an important chapter of neo-liberal thought, its incipient crystallization, and its intellectual trajectory, one that encompasses continuities as well as discontinuities. It is to the broader context of the 1930s that I now turn.

The fraught context of the 1930s and the Crisis of Liberalism

The 1930s witnessed a crisis affecting both economic and political liberalism, in practice as well as in theory.²² The era was not only marked by a profound economic crisis in “the West”, but also had the marks of a broader moral, and perhaps civilizational, crisis.²³ In this context, marked by immense economic

an active, dynamic policy program that had been wrongly remembered as a passive approach, and he countenanced a number of active interventions in the economy, particularly to combat monopolies.

²⁰ Kolev identifies as “hubs” Vienna, London, Chicago, and Freiburg, but also distinguishes between “Old” and “New” Chicago (Kolev 2020, 27-29).

Petersmann (1983, 237) distinguished between Freiburg, Chicago, Geneva and Cologne. In reference to Petersmann’s typology, Slobodian (2018) identified the Geneva School as highly consequential.

Caré and Châton (2016) distinguish between the Austrian (Vienna) School, the Chicago School, the ordoliberal School, and the Paris School, the latter of which was shaped in important ways by Rueff, Maurice Allais, Louis Rougier and others.

²¹ Une “*nébuleuse libérale internationale très hétérogène*” (Audier 2012a, 134)

²² Economic liberalism—in the European sense of the term ‘liberalism’—and political liberalism are distinct concepts that do not necessarily go together.

²³ On this dark period, see Bernard and Dubief 1985; Peukert 1989; Mazower 1998; Brendon 2000; Passmore 2002; Ifversen 2002; James 2003; Kennedy 2004; Overy 2007; Steiner 2005, 2011; Nord 2010; Hewitson & D’Aurio 2012.

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deprivation in the United States and elsewhere, the Soviet Union and Stalin’s “five year plans” projected to many intellectuals in “the West” an image of “energy, commitment, collective achievement and modernity—the more alluring for being so little understood”²⁴.

Soviet communism was not the only tempting alternative: there were other directed economic systems—National-Socialism in Germany, fascist corporatism in Italy— that offered an apparent escape to crises buffeting economic and political liberalism.²⁵ The 1929 U.S. stock market crash and the ensuing economic pain led many in “the West” to lose faith in capitalism, or, at least, led many to fundamentally call the tenets of economic liberalism into question. Political liberalism was sometimes identified with dysfunctional parliamentary systems, and was dismissed by some as being fundamentally incapable of rising to the challenge of the era. Economic liberalism was in crisis in reality, and simultaneously critiqued in theory; sometimes, it was identified with “*laissez-souffrir*” (let suffer).

It was during this time that a number of economists, historians, public intellectuals, and journalists who recognized the considerable merits of economic liberalism grappled with the crisis of their era. The tension between economic liberalism being in crisis and the system being, in theory, superior to other alternatives was not easy to grapple with. “Traditional liberalism,” Henry Calvert Simons insisted in 1934, “offers, at once, the best escape from the moral confusion of current political and economic thought, and the best basis or rationale for a program of economic reconstruction” (Simons 1934, 1). At the same time, however, Simons argued that “the great errors of economic policy in the past century may be defined—and many of our present difficulties explained—in terms of excessive political interference with relative prices, and in terms of disastrous neglect of the positive responsibilities of government under a free-enterprise system” (Simons 1934, 3-4). In seeking to identify what these “positive responsibilities” might be, not to undermine the system of economic liberalism but to safeguard its continued optimal functioning, Simons entered into the realm of what can be called “neo-liberalism”. Simons was not alone in seeking a humane way out of the crisis that recognized the primacy of the market pricing system.

The Intellectual Scaffolding of the Lippmann Colloquium: Lippmann’s *The Good Society* and Rougier’s *Les Mystiques Économiques*

Two books provided the intellectual scaffolding for the Lippmann Colloquium. The first, of course, was *An Inquiry into the Principles of The Good Society* (1937). Written by the famous American columnist Walter

²⁴ Mazower 1998:124.

²⁵ Temin (1991) has compared the centrally planned coercion inherent in the Soviet economy with the German economy under National-Socialism.

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Lippman, this book had quickly been translated into French as *La Cité Libre*.²⁶ The second book, less remembered today in the English-speaking world, was Rougier's *Les Mystiques Économiques: Comment l'on Passe des Démocraties Libérales aux États Totalitaires*.²⁷ Rougier's book was published at around the same time (1938).²⁸ Whereas Lippmann, however, enjoyed a fairly high public profile in the United States, Rougier, a philosopher and epistemologist, was less publicly "known" in comparison. Although the men differed in background and intellectual outlook, their two books shared certain core arguments, which would feature prominently in both the Walter Lippmann Colloquium itself and are emblematic of early neo-liberal thought more broadly.

For both Rougier and Lippmann, the challenge of the 1930s and the rise of totalitarian systems was in the first place a moral and ethical challenge, and a broader "civilizational" concern left an imprint in both books. In "the social discipline of all collectivists," Lippmann argued, "the inviolability of men is somewhere denied. Men are not fully persons." Lippmann referred explicitly to "the nature of man", and distinguished "between those who would respect him [man] as an autonomous person and those who would degrade him to a living instrument" (Lippmann 1937, 386-7). "From these opposing conceptions," Lippmann insisted, "are bred radically different attitudes towards the whole of human experience."

Whatever their internal differences may be, Lippmann concluded, opponents of the free society are "all in rebellion against the moral heritage of Western society" (Lippmann 330). If fascists and communists are indeed irreligious, Lippmann reasoned, it is because "religion cultivates a respect for men as men" (Lippmann 383). Lippmann argued that totalitarian systems were marked by an inescapable arbitrariness on the part of officials against which no system of "law" could protect the individual. If liberals therefore retained a prejudice "against the multiplication of government enterprises," Lippmann reasoned, this "has come not from their basic principles but from practical experience of how difficult it is to keep a powerful bureaucracy under the law..." (Lippmann 1937, 299).

Rougier, for his part, critiqued the totalitarian State for "repudiating any moral rule, any legal principle, any obligation towards truth, justice, or charity linking men without distinction in the name of a common reason and a unanimous ideal" (Rougier 1938, 235), and emphasized the importance of a predictable legal order.

²⁶ On Lippmann, see Jackson 2012; Rossiter & Lare 1982 [1963]; Goodwin 2014; Clavé 2015; Steel 2017; Colin-Jaeger 2021; Higgins 2021.

²⁷ This title is not easily translated to English, "mystiques" referring to mystical, or fallacious, economic belief systems. The subtitle of Rougier's book is "how one passes [or goes] from liberal democracies to totalitarian States."

²⁸ On Rougier, see Denord 2001/2; Berndt & Marion 2006; Pont & Padovani 2006; Dard 2007; Diemer 2010; Audier 2016; Dewulf & Simons 2021.

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Rougier contrasted the notion of “popular democracy”—where a majority can do whatever it wishes, not being bound by any restraint or higher law— with liberal democracy, where executive power is bound by a higher law or by a supreme legal authority, and where those in power cannot do anything simply because they enjoy a temporary majority.

Both Lippmann and Rougier rejected the directed economy, in both its communist and its fascist forms. This rejection had two facets: economic and moral. This dual argument, too, would play an important role at the Lippmann Colloquium and “neo-liberal” thought more broadly.

The “economic” leg of the critique of central planning rested to a large extent on the “Austrian” contribution to the socialist calculation debate of the 1920s.²⁹ Referring by name to Mises’ book *Socialism*, Rougier argued that “any economy based on the socialization of the means of production renders the monetary expression of prices of the means of production impossible: *as a result, any economic calculation is impossible*”³⁰. The planned economy,” Rougier warned, “is arbitrary also by the impossibility of knowing the real needs and tastes of consumers.” Thus, although Soviet communists boasted with pride that under their system “anarchist” capitalism had been replaced with orderly and scientific planning, Rougier cautioned that what Communists had gotten in reality was in fact “planned ‘anarchy’” in economics, with all the inescapable consequences.³¹ For his part, Lippmann similarly argued that “a planned economy in peace is incapable of “economic calculation” (Lippmann 1937, 94). Lippmann referred specifically by name to Mises’ book *Socialism*, to Mises’ 1920 article on economic calculation under socialism, and to the work of Hayek, Pierson, Halm, Barone and Brutzkus.

The other facet of Lippmann and Rougier’s rejection of central planning was ethical, or moral. Lacking accurate market pricing signals, central economic planning would have to make arbitrary decisions on an ongoing basis, and implement these decisions by force. In order to ensure absolute obedience to and compliance with the central plan, planners would have to create a vast apparatus of coercion, surveillance and informants. “Dictatorship, Rougier warned, “is the prerogative of any planned economy”. In such a system, “thought itself will be controlled, politicized, synchronized, vassalized” (Rougier 162-3). Rougier

²⁹ On this debate, see Mises 1935; Hayek 1935; Vaughn 1994; Boettke 2000; Levy & Peart 2008; White 2012.

³⁰ Rougier 162, emphasis in original, author’s translation.

³¹ Several decades later, in 1988, one reformist Soviet economist, Nikolai P. Shmelyov, publicly acknowledged the challenge of trying to operate an economy in the absence of market price signals. “In the USSR, we need to come to the sober realization that until [market] price relations are attained, we will always be living in an economically unreal world, in a kind of ‘kingdom of distorting mirrors,’ in which everything is inverted from an economic standpoint” (Shmelyov cited in Shane 1994, 81).

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linked freedom of transactions to “freedom of choice of employment and of residence, freedom of assembly and of association, freedom of thought and of expression”.³²

Like Rougier, Walter Lippmann connected the rise of central economic planning to the suppression of civil liberties. Lippmann argued that in a centrally planned economy, “The dissenters *must* be eliminated because they are insubordinate; they interfere, to quote Mr. Chase again, with “the smooth technical operation” of the economy” (Lippmann 56). Lippmann warned that in totalitarian systems, “the emergency never ends” (Lippmann 55), and that “collectivism, which replaces the free market by coercive centralized authority, is reactionary in the exact sense of the word” (Lippmann 205).

Third, while rejecting the centrally planned, or directed, economy and associated totalitarian systems, both Rougier and Lippmann rejected “Manchesterian” *laissez-faire* capitalism, with certain nuances. Lippmann argued that initially, *laissez-faire* “was...a revolutionary political idea...to destroy the entrenched resistance of the vested interests which opposed the industrial revolution.”³³ From “say, 1776 to 1832,” Lippmann argued, “liberalism was a philosophy which led the way in adapting the social order to the needs of the new industrial economy” (Lippmann 208). “By the middle of the nineteenth century,” however, “liberalism had become a philosophy of neglect and refusal to proceed with social adaptation” (Lippmann 208). After an initially pro-active period, “laissez-faire” had fallen into a type of stagnation³⁴.

For his part, Rougier argued that “the error of Manchesterian liberals was to take the social order in effect in their era for an absolute and eternal order,” and in so doing, “they fell into conformism.” As a result, “liberal became synonymous with conservative,” leading to ideological rigidity and a lack of adaptation to changing circumstances (Rougier 79-80).

Lippmann and Rougier argued that certain classical liberals prior to 1914 had erred in declaring economic laws “natural” laws to which States only had to defer by getting out of the way. In response to the errors of “Manchesterism,” a type of active institutionalism featured prominently in both books. This

³² Other “neo-liberals” such as Jacques Rueff made similar arguments in the mid- to late-1930s: central economic planning would not limit itself to economics.

³³ “It was a theory formulated for the purpose of destroying laws, institutions, and customs that had to be destroyed if the new mode of production was to prevail. *Laissez-faire* was the necessary destructive doctrine of a revolutionary movement. That was all it was. It was, therefore, incapable of guiding the public policy of states once the old order had been overthrown.” (Lippmann 1937: 185).

Similarly, Gideonse (1934) had argued that *laissez-faire* ought not to be (mis)remembered as a passive program.

³⁴ After 1832, when much of the initial pro-active work of “laissez-faire” had been accomplished, “as so often happens among old and triumphant revolutionists, the dynamic ideas which had brought the liberals to power were transformed into an obscurantist and pedantic dogma. The liberals turned to writing metaphysical treatises on the assumption that *laissez-faire* is a principle of public policy” (Lippmann 1937: 185).

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institutionalism would be clearly visible at the Lippmann Colloquium, but also—albeit in a different form—at the inaugural meeting of the MPS.³⁵

Both Lippmann³⁶ and Rougier³⁷ argued that policymakers had to be cognizant of the extent to which the “market economy” rested on a comprehensive edifice of institutions—laws, patents, the legal status and legal structure of the corporation, etc.—that were created by the legislator and entailed a whole series of interventions by the State.³⁸ Rougier made his institutionalist case in the following terms,:

“The error of the doctrine of *laissez faire* [let do] and *laissez passer* [let through] has been to believe that economic life can unfold outside of any intervention by the State. *Economic life unfolds in an institutional and legal framework which is not a given of nature, like the law of supply and demand, but an always-revisable creation by the legislator*: such are, in any given era, the system of property, of patents, statutes of professional associations, commercial associations, the monetary and banking structure, the fiscal system. This legal interventionism has taken place at all times and cannot be disputed. What matters, is that this legal interventionism be oriented with a view to establish and maintain an economy for the well-being of consumers, by taking into account past experience” (Rougier 221-222, author’s translation, emphasis added).

For his part, Lippmann argued that a grave error had arisen on the part of 19th century liberals “in thinking that any aspect of work or of property is ever unregulated by law” (Lippmann 1937: 186). Lippmann described his distance from 19th century liberals as follows:

³⁵ On the institutionalism at stake, see Diemer 2011; Diemer 2014; and Chavance 2007.

³⁶ Lippmann argued it is important to “remember what the *laissez-faire* theorists forgot: that the individualism they are talking about exists by virtue of lawful rights that are enforced by the State. The title to property is a construction of the law. Contracts are legal instruments. Corporations are legal creatures. It is, therefore, misleading to think of them as existing somewhere outside the law and then to ask whether it is permissible to ‘interfere’ with them” (Lippmann 1937, 269, emphasis added).

³⁷ Rougier, writing at approximately the same time as Lippmann, made similar arguments :

“Yet, far from being abstentionist, the liberal economy presupposes an active and progressive legal order, aiming at realizing the ever-more perfect adaptation of man to ever-changing modes of production resulting from the industrial revolution, the division of labor, automation, the deployment of capital and credit, scientific discoveries, so as to ever-better serve the needs and tastes of the republic of consumers expressed through the plebiscite of prices on free markets [...But] if the legal order culminates in this way in this monstrous paradox of an economic machine that runs on empty, crushing man, whom it has the goal of serving: it is beyond doubt that such a legal order must be condemned in the very name of liberal doctrine” (Rougier 1938, 80, author’s translation).

³⁸ Indeed, Rüstow and Röpke provided their own, distinct, institutionalist warnings at the Colloque based on the demise of the Weimar Republic. These pertained to political liberalism as well as economic liberalism. The matter was to play an important role in “ordo-liberal” thought.

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“The latter-day liberals...fell into a deep and confusing error when they failed to see that property, contracts, corporations, as well as governments, electorates, and courts, are creatures of law, and have no existence except as bundles of enforceable rights and duties” (Lippmann 244).

These institutions underpinning the market order had to be updated in light of changing economic circumstances, techniques of production, and social needs; they had to be updated and revised in order to meet genuine human needs and also to safeguard the proper functioning of the market order itself. Viewed in this way, the State and the market are not each other’s nemesis; rather, the former has to be cognizant of its responsibilities and ensure institutional support for the proper, optimal functioning of the latter. This recognition plays an important role in ordo-liberal thought as well.³⁹

Non-interventionism for the sake of non-interventionism, as a deference to pre-existing natural economic “laws” was therefore, from the point of view of Lippmann and Rougier, a mistake in analysis. Such passivity risked jeopardizing the institutions upon which the market order itself depended for its survival.⁴⁰

Another, distinct, area of licit State intervention was identified in both books: “social”, or humanitarian, State intervention to help the needy. Both Rougier and Lippmann countenanced a number of economic interventions by the State in order to deal with the crisis of the 1930s and the genuine needs of the masses. Lippmann favored high income tax rates and an ambitious “social” program. For his part, Rougier argued that the liberal State “is not heartless”, but had to be cognizant of its abilities and the consequences of its interventions (Rougier 87). These “social” interventions are, however, conceptually distinct from the more fundamental, active institutionalism identified above.

The main arguments identified here would serve as “scaffolding” for the Walter Lippmann Colloquium and its limited, but consequential, consensus. Although the arguments made in *The Good Society* and *Les Mystiques Économiques* do not define the “limits” of early neo-liberal thought or exhaust its meaning, I argue that the books’ conceptual commonalities are emblematic of early “neo-liberal” thought more broadly.

³⁹ “What these [ordoliberal] economists had in common intellectually,” Schmidtchen wrote in 1984, “was the conviction that the development of the economic order could not be left to itself—on the contrary, that to determine the form which the economic order would assume was a special task of the state” (Schmidtchen 1984, 56.)

⁴⁰ Lionel Robbins had made similar institutionalist arguments (Robbins 1937). Robbins argued that “neither property nor contract are in any sense natural”, but rather “essentially the creation of law” (Robbins 1937, 225-228)

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As it happens, in *Les Mystiques Économiques*, Rougier had favorably referred to Lippmann's *The Good Society* (Rougier 1938, 79-80)⁴¹. When Rougier learned that Lippmann would be passing through Paris, Rougier took the initiative to organize the Colloque Walter Lippmann.⁴²

The Walter Lippmann Colloquium⁴³

Ostensibly an attempt at renewing and revising *economic* liberalism, the Colloquium's "civilizational" dimension stands out above all others. Meeting in Paris in August 1938, less than six months after the *Anschluss*, Colloquium participants were aware that there was a real risk of a broader war. As we have seen, in the world, economic liberalism was nearly everywhere on the defensive. The civilizational dimension was accentuated by Rougier and Lippmann's opening remarks. Rougier warned his fellow participants of the high stakes of the intellectual battles in which they were engaged:

"Being an intellectual [*clerc*] who does not betray, gentlemen [means] fighting for the safeguard and the renovation of the only economic and political system compatible with spiritual life, human dignity, the common good, the peace of peoples, and the progress of civilization: liberalism. We should interpret the old adage: *primum vivere deinde philosophari* [live first, philosophize later], not as justifying the abdication of thought in the face of economic necessities and political constraints, but as the duty, before any other duty, to specifically create the material, economic, and political conditions that alone ensure the rule of free thought. And that is why we are here."

The broad civilizational concern was echoed by Lippmann, who spoke of "twenty-five centuries of struggle...to achieve the first elements of a free civilization." Lippmann insisted that the "civilizing energy", which had driven men to seek the elements of a free civilization, "had matured for more than 2,000 years." This energy cannot, Lippmann insisted, "be erased in ten years" (Lippmann in WLC 1938, 105). The elements of this civilization were not linked to any particular liberal theory because the stakes were far broader. "What concerns us," Lippmann told Colloque participants in his opening address:

"is something more durable, more universal, and more profoundly human than the doctrinaire formulas of nineteenth-century liberalism ...the fate of freedom is linked to none of the liberal

⁴¹ Rougier wrote: "On this error of 19th century liberals and on what I call constructive liberalism, see the admirable book of Walter Lippmann, *La Cité Libre* [The Good Society], published by Librairie de Médicis" (Rougier 1938, 79-80, Footnote 1).

⁴² For more on the specific circumstances of the Colloquium's organization, and the process through which invitations were arranged and sent out, see Reinhoudt & Audier (2018, 9-14). In our collaboration (2018), I acknowledge a debt to Serge Audier with regard to the specific circumstances of the Colloquium's formation and its organization by Rougier.

⁴³ Serge Audier has provided a careful, contextual, and archivally-based reading of the Lippmann Colloquium and its attendees (Audier 2008). The reader is also referred to the edited English-language introduction (Reinhoudt & Audier 2018) for information on participants, invitees, and nuances within early neo-liberal thought.

theories. It is why we should reserve ourselves the right to revise the premises of all liberal theories, and to grant none among them a dogmatic and definitive value... the totalitarian rebellion of our time is not only directed against nineteenth-century liberalism and democracy. It attacks the sum total of the tradition of the Western world, its religion, its science, its law, its State, its property, its family, its morality, and its notion of the human person” (Lippmann WLC 1938, 105).

The civilizational stakes laid out by Rougier and Lippmann set the tone for subsequent discussions. Beyond this dimension, however, I would like to identify four more concrete arguments that provided some conceptual unity to the Lippmann Colloquium in spite of the profound intellectual heterogeneity of participants and their intellectual outlook.

First, Colloquium participants supported economic as well as political liberalism, even as several participants expressed concerns over majoritarianism, or socialistic, or—in Rougier’s words, “popular”—democracy⁴⁴. Why did participants—beyond all their differences—support economic liberalism? Alexander Rüstow, who was perhaps one of the most “reformist” participants, defended economic liberalism on three grounds. First, Rüstow reasoned, economic liberalism “is a system that is durable on its own because it is in stable equilibrium.” Second, “it ensures the maximum degree of productivity and the highest standard of living.” Third, “*it alone is reconcilable with freedom and with the dignity of man*” (Rüstow in Reinhoudt & Audier 157, emphasis added).

Second, Colloquium participants supported the market pricing mechanism (today often referred to as the “free price system”) as the primary allocator of economic resources. On this basis, Lippmann Colloquium participants opposed centrally directed economic systems: first and foremost communism, National-Socialism, and fascism, as well as efforts to introduce elements of these systems in parliamentary democracies. Just as in Lippmann and Rougier’s books, at the Colloquium the rejection of centrally planned economies had two facets: an economic one and an ethical (or moral) one. The brilliant polymath Michael Polanyi, for instance, warned that “central planning by the totalitarian States simplifies economic life. It aims to replace a puzzling and manifold mechanism with control... That is how these regimes maintain their grip on their populations” (Polanyi in Reinhoudt & Audier 165). Conversely, Polanyi warned that extreme economic crises and suffering would lead otherwise sensible people to consider seemingly irrational political alternatives, such as surrendering their freedom in exchange for a daily ration.

⁴⁴ Many nuances existed on how participants understood “political liberalism”; certainly, some had a more democratic understanding of it, others (Baudin) decidedly less so. In his book (1938) Rougier contrasted “popular” democracy with “liberal democracy”. Concerns over majoritarianism were not unusual at the Colloque (see Castillejo).

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Third, generally, Colloque participants rejected abstentionist “Manchesterian” liberalism. The rejection was made on more sociological grounds by some (Rüstow and Röpke), and on more institutionalist grounds by others (Lippmann, Rougier). At the Colloquium, the “institutionalist” critique of abstentionist liberalism was articulated by Rougier himself, who argued that a whole set of institutions, created by the legislator (and, one might say, the State), shaped the market order and was indispensable to its functioning:

“Economic life unfolds in a legal framework that establishes the system of property, of contracts, of patents, of bankruptcy, the status of professional associations and of commercial societies [corporations], money and banking, all things that are not facts of nature as the laws of economic equilibrium are, but rather contingent creations of the legislator. The question of the legal framework best suited to the smoothest, most efficient and steadfast functioning of markets has been neglected by classical economists [...] Being liberal is, thus, by no means being conservative in the sense of maintaining the *de facto* privileges resulting from past legislation. It is, to the contrary, being essentially progressive, in the sense of a perpetual adaptation of the legal order to the scientific discoveries, to the progress of organization and economic technique, to the changes in the structure of society, to the demands of contemporary conscience” (Rougier in Reinhoudt & Audier 98-99)

An active institutionalism by the State was therefore required to support and maintain the market order.

Fourth, separate from this broader institutionalism, Colloquium participants were willing to countenance a number of “social”, or humanitarian, interventions by the State to alleviate human suffering. How should this be done? The human suffering that accompanied the Great Depression demanded a meaningful reply. It would be articulated by Lippmann himself in the “Agenda of Liberalism”—more on that below.

Related to the broad institutionalism and appropriate “social” intervention was the question of how a liberal State ought to intervene in the economy. French economist Jacques Rueff’s enduring significance in the formation of neo-liberal thought stems from a question he asked in the course of responding to a critical comment by John Condliffe pertaining to Rueff’s analysis of English unemployment insurance. Rueff had responded to Condliffe as follows:

“It is clear that the State has to task itself with teaching and that, in order to do so, it has to levy taxes. The real problem is that of the limit of intervention in the liberal State. What are the forms [*modalités*] of intervention compatible with the pricing mechanism?”

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Rueff's clear articulation of this question served to focus the attention of Colloquium participants. Walter Lippmann enthusiastically embraced what he termed "the central thesis of Mr. Rueff", and would state this explicitly in his concluding remarks to the Colloquium:

"Economic liberalism recognizes as a fundamental premise that only the pricing mechanism functioning in free markets allows for obtaining an organization of production likely to make the best use of the means of production and to lead to the maximum satisfaction of the wants of men, such as they are truly felt and not such that a central authority pretends to establish them in their name....*The system laid out in this way is the central thesis of Mr. Rueff on the [market] pricing mechanism as principal regulator*" [emphases added]."⁴⁵

The "Agenda of Liberalism": the Lippmann Colloquium's limited but consequential consensus

The Lippmann Colloquium's participants were heterogeneous, not only in terms of their differing national and professional backgrounds, but also in terms of their intellectual outlook. Colloquium participants disagreed on issues such as the causes of monopolies; the tension between democracy and liberalism; the role played by elites; the causes of the decline of liberalism; the social integration of individuals in advanced capitalism; mass psychology, herd psychology, and the political role of the working class; how to best cope with unemployment resulting from rapid technological change; causes of the rural exodus, as well as a range of other issues. The candor with which participants debated questions at hand remains of interest.

Despite their disagreements, Colloquium participants were able to reach a limited, but consequential, "consensus", or "Agenda of Liberalism", which was articulated by Lippmann himself. The centrally planned economy and totalitarianism were rejected; an economy based on market price signals, private property and the rule of law was defended. The "institutionalism" we have discussed in the books of Lippmann and Rougier was included in the "Agenda of Liberalism" by Lippmann in the following terms:

"the positions of equilibrium that are established in markets are affected, and can be influenced in a decisive manner by the laws of property, contracts, groupings, associations, and collective moral persons, patents, bankruptcy, currency, banks, and the fiscal system. As these laws are the creation of the State, the responsibility is incumbent on the State to determine the legal system that serves as

⁴⁵ One could say that this institutionalism was matched with a principle of licit State intervention that in later years would be called "*marktkonform*".

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framework for the free development of economic activities” (Lippmann in Reinhoudt & Audier 2018, 177-178).

The thorny question of identifying appropriate State intervention in the economy was also articulated by Lippmann in the “Agenda of Liberalism”. “The organization of production on the basis of liberal principles,” Lippmann stated, “does not preclude the allocation of a part of the national income, diverted from individual consumption, toward collective ends”. “A liberal State”, Lippmann continued, “can and must levy through taxation a share of the national income and dedicate the resulting amount to the collective financing of: National defense; Social insurance; Social services; Education; Scientific research.” Although economic production would therefore be “governed by the [market] pricing mechanism,” “the sacrifices that the functioning of the system entails can be put at the expense of the collective”. Lippmann insisted that this transfer of resources “should be made not through indirect methods, but in full light of day, and the sacrifice asked of the collective has to be expressly and consciously consented to.”

Rougier proposed to establish a research center, the *Centre International d’Études pour la Rénovation du Libéralisme*, dedicated to studying in greater detail which “forms of intervention of public powers [are] compatible with the [market] pricing mechanism,” a proposal that was agreed to.⁴⁶

The “Agenda of Liberalism” that was reached at the Lippmann Colloquium was consequential in intellectual terms but at the same time, quite narrow. No final pronouncements on epistemology, metaphysics, bio-ethics, or religion were made at the Colloquium, and the many tensions inherent in political liberalism—to name just one difficult question— were not resolved. The Colloque’s broad impetus was civilizational and moral, even as the crystallization of the “Agenda of Liberalism” identified more concrete measures of licit State intervention. The Colloque’s substantive deliberations and its “Agenda” did not reduce human beings to economic agents alone; took the role of irrationality and herd behavior in human psychology seriously; and did not reduce human life, or civilization, to economic materialism, or to a brutally selfish, amoral, hedonistic approach to life. Civilizational concerns related to the dignity of man would again feature prominently at the inaugural meeting of the Mont Pelerin Society, to which I now turn.

1947: the Inaugural Meeting of the Mont Pelerin Society

Although the inaugural meeting of the MPS presents certain important conceptual similarities to the Lippmann Colloquium, there also some important differences. Among the most important differences are

⁴⁶ The existence of this center would be ephemeral due to the outbreak of World War II, but not before producing meaningful engagement with several prominent French trade union activists.

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the composition of attendees, their national and professional background (a less prominent role for the French, a much more prominent role for the Americans, including “Chicago”), and the framing of various session discussion topics. The inaugural meeting of the MPS was not a “direct” continuation of the Lippmann Colloquium, but, just like the Lippmann Colloquium, marks an important chapter in the history of economic liberalism and was a concerted effort at renewing, revitalizing, and—possibly—revising economic liberalism.

Previously only available to archival researchers, the minutes of the sessions of the 1947 inaugural meeting of the Mont Pelerin Society have now been made available to a wide audience, with a carefully researched, thoughtful introduction (Caldwell 2022). An edited introduction having been provided by Caldwell, there is no need for me to provide detailed comments here. In the context of efforts to “renew” economic liberalism, however, four facets of the inaugural meeting stand out to those interested in efforts at “renewing” economic liberalism.

First, the “civilizational” dimension of the inaugural meeting was prominent and clearly articulated, a conceptual contrast being drawn to totalitarian systems. Second, institutionalist concerns featured prominently; this time, they focused more specifically on “the competitive order”, but there are important parallels to the “institutionalist” concerns that had been emphasized by Lippmann, Rougier and others in earlier years. Third, there was a notable preoccupation with restoring monetary order (not just in Germany, but in the world), the importance of monetary order being more prominently articulated at the inaugural meeting of the MPS than it had been at the Lippmann Colloquium.⁴⁷ A fourth aspect stands out: attempts to identify “licit” State intervention in order to alleviate poverty under a system of economic liberalism, through targeted State intervention.

The overarching “civilizational” dimension

In his welcoming address, William Rappard critiqued facile interpretations of *homo economicus*, and asked: “Is the economic man necessarily a liberal?” In his own assessment, Rappard emphasized “the fundamental distinction between economics as a science and liberalism as a doctrine” (Caldwell 51-53). Just as at the

⁴⁷ Although monetary order did not occupy a central position at the Walter Lippmann Colloquium, it was not altogether neglected, Jacques Rueff being perhaps the most prominent interlocutor of monetary concerns at the Colloque. At the Lippmann Colloquium, Jacques Rueff critiqued the 1922 Genoa Conference and the difference between the classical gold standard and the gold-exchange standard. The gold exchange standard had led to weakening of monetary and credit regulation that—in Rueff’s view—the classical gold standard would have provided. Due to the shortcomings in the gold exchange standard system, an economic “boom” without precedent was able to develop in the 1920s, and the subsequent bust was all the more severe. Rueff argued that economic liberalism was being blamed for disorder that had been caused by improper monetary regulation, not by economic liberalism (see also *L’Ordre Social*).

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Lippmann Colloquium, once can recognize an overarching “civilizational” dimension at the inaugural meeting of the MPS, particularly in Sessions 1 (“Welcoming Address”), 9 (“Liberalism and Christianity”), and 18 (“The present political crisis”). The revised draft of the Statement of Aims warned that “the central values of civilization are in danger. Over large stretches of the earth’s surface, the essential conditions of human dignity and freedom have already disappeared” (Caldwell 181).

Hayek, in his opening address, reminded participants that “for the inhabitants of a free country it seems almost impossible to understand the process by which freedom is lost” (Caldwell 56). Hayek warned participants that “the root of the political and social dangers which we face *are not purely economic* and that if we are to preserve a free society a revision *not only of the strictly economic concepts* which rule our generation is required” (Caldwell 62, emphases added). So as to make possible a revival of economic liberalism in post-war Europe, Hayek expressed his hope that “this breach between true liberal and religious convictions can be healed”. Referring specifically to “positivism and Hegelianism”, Hayek warned of the lasting damage that had been done by “false rationalism,” “this intolerant and fierce rationalism” (Hayek 63).⁴⁸

In Session 9, Trygve Hoff, editor of the Norwegian periodical *Farmand*, argued that “the decline of liberalism has something to do with what we call the cultural crisis.” A “majority of men in the Western world,” Hoff warned, “have lost their faith in God. And few have the ability to be agnostics. Then there is a tendency for people to become converts to secular religions, Nazism, Communism, etc.” Hoff named as one cause for the decline of liberalism “the need for faith, the will to believe, and the need for group feeling”. Liberalism, Hoff warned, “has not satisfied that need, but has done the opposite.”

In the same session, Michael Polanyi warned that opposing Soviet Communism “is difficult because we cannot say what this spiritual reality is to which we owe allegiance” (Polanyi in Caldwell 144). For his part, Karl Popper cautioned that, although in his view religions “tend to be intolerant,” the “economic liberalism of Mises is I think perhaps not quite enough” (Popper in Caldwell 145). Referring to long-standing tensions and feuds between Church and State in European history, Frank Knight stated that in his view, “I think they [Christianity and economic liberalism] are not compatible”. Knight also critiqued the “presupposition of

⁴⁸ In his writings, Hayek singled out the *École Polytechnique* as the institution that is “the source of the scientific hubris” (Hayek [1952] 1979, 185-211). Above all, Hayek was critical of “mindset of the engineer” when it came to projecting rationalist plans onto an organic society. In contrast, Jacques Rueff would always defend deliberately constructed, non-spontaneous, liberal order. It is worth thinking about how Rueff—had Rueff been able to attend the inaugural meeting of the MPS—may have responded to Hayek.

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liberalism, that man is a rational animal. Well, he isn't. And man is not just" (Knight in Caldwell 140).

Knight argued that "the question is whether Christians will allow us to be liberals."

Taking the opposite position, the journalist Felix Morley argued that is "not so much a matter of whether Christianity will allow liberals to be liberals, but of whether liberalism will allow Christians to be Christians" (148). Walter Eucken rejected the notion that Christianity and economic liberalism were fundamentally incompatible, or irreconcilable. Eucken told fellow attendees that a focus on eternal life, more than a formal dogma *per se*, had given Christian liberals the inner strength to resist National-Socialism in Germany (148). Arguing against Christian socialist arguments then in vogue in certain quarters of public opinion, Eucken cautioned that "we are now realizing that in fact under socialism there is no opening for it [the practice of Christian love]" (148).

Ethical concerns were prominently articulated in other sessions of the inaugural meeting. At session 12 ("Statement of Aims), MPS attendees articulated a concern for "the solidarity of human beings" and "human dignity" (Brandt, 167), "a humanitarian aim" (Friedman 167), and support for "religious toleration" (Knight 167). Watts observed "there are certain moral principles which people must have, even to have a family" (Watts 177).

In session 18 ("The present political crisis"), the civilizational dimension was accentuated once again. Michael Polanyi warned of the general danger of communism to the world in general, and to Europe in particular. Karl Brandt warned that at the very least, "the possibility of a war between America and Russia" had to be considered. Such a war, Brandt feared, "would be the ultimate crisis, in which I see very little hope that Europe would survive."

Sound money and currency reform: institutional prerequisites for the market order

Participants at the inaugural meeting of the MPS emphasized the need for monetary order, particularly in the context of post-war Germany reconstruction, but also for the world as a whole. Currency reform received attention in Sessions 5 and 6 (on "The Future of Germany"), and international monetary reform received sustained attention in Session 11.

The issue of monetary order had arisen earlier, however, in discussions concerning the "competitive order". In Session 2, Director warned that "in no field is the weakness of the liberal tradition more obvious than in that of money", proffering that "some improvement over the results of the past would no doubt result from the establishment of a gold circulation" (Director in Caldwell 87) In the same session, Eucken indicated

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he was “aware of the fact that without a somewhat sound currency, it is impossible to eliminate the centrally planned economy, also internationally” (Caldwell 96)

Eucken cautioned in Session 5 that “the currency reform cannot be an isolated measure” (Caldwell 119). In Session 6, Eucken warned that market pricing signals would not be able to properly fulfill their organizing economic role in the absence of monetary order, be it in Germany or elsewhere. Eucken argued that currency reform was an inescapable precondition of making possible rational economic activity in post-war Germany:

“The first need is a decision on the reform of the currency. There can be no division of labour without a functioning currency system [...] A functioning money is required to make the price system effective...How can a real exchange system be restored? The first condition for this is monetary reform...the only thing which will start the process of improvement is currency reform” (Caldwell 121-122)

At the inaugural meeting, attendees had divergent views on what a sound international monetary order would look like, but flagged the issue as meriting more sustained reflection. And, whereas at the Lippmann Colloquium, attendees had been divided intellectually on the merits of Keynesian theories (some participants being Keynesians themselves), Keynesian theories themselves were not discussed in the planned sessions of the Colloquium, or at least, not recorded in the written minutes. At the inaugural meeting of the MPS, however, the question of Keynes did come up, with Röpke expressing his general opposition, stating that “I believe with Rueff that the great danger is not deflation, but inflation” (162, emphasis in original). Over time, opposition to Keynesian theories would solidify within the MPS, as it was argued that Keynesian theories jeopardized monetary and economic order rightly understood.

Broad Institutionalism in the framework of the Competitive Market Order

The “institutionalist” concerns that featured so prominently at the Lippmann Colloquium and its “Agenda of Liberalism” were in some sense reprised at the inaugural meeting of the MPS, but in a different way. Sessions 2 and 3 were dedicated to a more general concept (“Free Enterprise”), but also to a more specific concept: “the Competitive Order”, in the sense of a competitive, optimally-functioning, market.

Hayek’s contributions to session 2 of the inaugural MPS meeting mark a certain continuity with the institutionalist concerns expressed by Lippmann and Rougier (both in their books and at the Lippmann Colloquium itself). Hayek rejected “the interpretation of the fundamental principle of liberalism as absence

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of state activity”. “Where the traditional discussion becomes so unsatisfactory,” Hayek argued, “is where it is suggested that with the recognition of the principles of private property and freedom of contract, which indeed every liberal must recognize, all the issues were settled” (Hayek in Caldwell 74).

Hayek warned that in the realms of contracts, just as in the realm of property itself, “the precise content of the permanent legal framework, the rules of civil law, are of the greatest importance for the way in which a competitive market will operate” (Hayek in Caldwell 74-76).

For his part, Aaron Director observed that “there may have been a time when free enterprise—enterprise free of political intervention—was the equivalent of a competitive order. “It no longer is equivalent,” Director warned, “and has not been for some time.” Similarly, Director cautioned that the task of liberals in 1947 differed from that of their predecessors. Although “the founders of 19th century liberalism” had “served the cause of freedom by promoting free enterprise,” “the task of our day is to promote freedom by promoting the dispersion of power necessary for a competitive order” (Director in Caldwell 84-5).⁴⁹

To that end, Director identified several fields “in which state action is required to make the competitive order work: preventing private monopolies, controlling “combinations among either business concerns or workers”, and providing “monetary stability”. Then, Director added a fourth issue of concern: “the problem of economic inequality and distress and the possible scope for state activity in the redistribution of income” (Director in Caldwell 85).

Although the initial MPS Statement of Aims (point #5) referred specifically to “a proper legal and institutional framework” (Caldwell 166), this wording was not included in the revised Statement of Aims. Nonetheless, the “institutionalist” concerns that had been so keenly expressed in the fraught context of the 1930s were taken up—albeit in a different form—and received sustained attention at the inaugural meeting of the MPS.

The social question: licit State intervention to relieve poverty

Beyond the “institutionalist” concerns discussed above, the more specific matter of proper State intervention to alleviate poverty were discussed. As we have already seen, the issue had already been raised at a fairly early stage by Aaron Director in the framework of the competitive order. At a later session,

⁴⁹ “There may have been a time when free enterprise—enterprise free of political intervention—was the equivalent of a competitive order. It no longer is equivalent, and has not been for some time. Since at least the middle of the last century serious conflicts have emerged between what liberals consider the social interests and the results of free enterprise. As each conflict emerged, the liberal had no solution to offer derived from their fundamental philosophy...

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Session 15, focused on “Taxation, poverty, and income distribution”, Milton Friedman proposed a negative income tax, in order to alleviate poverty while avoiding overly complex and unwieldy social assistance schemes (Friedman 184). Attendees reached no consensus on the best way to address poverty. William Rappard envisioned a scenario “where majority are receiving, and the minority paying taxes”; if that were to occur, Rappard warned, “you are in a position of decadence” (Rappard in Caldwell 188).

The Revised Statement of Aims

Lippmann’s 1938 “Agenda of Liberalism” had clearly articulated a series of acceptable fields of public policy interventions, including education, scientific R&D, defense spending, and social insurance. In terms of future inquiry, Colloquium participants agreed to study in greater detail *which* forms of State intervention were compatible with the market pricing mechanism.

The inaugural meeting of the MPS witnessed an initial, as well as a revised, statement of aims, in which certain points of common understanding were reached and formally adopted.⁵⁰ The stakes laid out were civilizational, and flagged the threat of totalitarianism in the world. Perhaps more than the Lippmann Colloquium’s Agenda of Liberalism (with its policy points), however, the MPS’s revised Statement of Aims described its activities to a considerable extent in terms of future research efforts and intellectual engagement with thorny questions.

At the inaugural meeting of the MPS, just as the Colloque Lippmann, participants did not reduce a complex human reality to economics alone. Conversely, participants such as Eucken warned that in the absence of a rational organization of economic production, human beings would face genuine hardships and real suffering. Man may physically exist as an individual being, but this economic existence is intertwined with the political economy of the community to which he belongs. What person or family, one could ask, can truly thrive or flourish in a community in which the currency is fundamentally broken? Even if, therefore, there is much more to the survival of a free society than efficient economic production alone, a rational organization of economic resources is essential for human, family and social well-being.

⁵⁰ Unlike 1938 with regard to the “Agenda”, in 1947 agreement with regard to the general statement of aims was not unanimous, as the heterodox economist Maurice Allais did not sign on.

Conclusion: any renewal of economic liberalism is unlikely to succeed in isolation

In my efforts to assess two past attempts at a “renewal” of economic liberalism, I have mainly emphasized certain common principles, or continuities, in early neo-liberal thought, and have not dwelled as much on the profound heterogeneity that marked early neo-liberal thought. This was partly due to spatial limitations. The reader ought not to infer from this that the heterogeneity at the Lippmann Colloquium or the inaugural meeting of the MPS was minor; quite the contrary. The reader who is interested in this heterogeneity has excellent sources at his disposal.⁵¹

Drawing lessons from the past is always difficult. There is a risk of drawing ahistorical lessons from contexts that are not strictly comparable.

Within the framework of attempts to renew and revise economic liberalism, several threads in early neo-liberal thought may be identified. First, early neoliberal thought was marked by broad “civilizational” concerns. A renewal of economic liberalism was sought within the framework of a much broader renewal of civilization and the moral foundations of a free society. An emphasis was placed on the inviolability of the human person, and a contrast was drawn to totalitarian systems. Second, early “neo-liberals” joined opposition to centrally planned economic systems with support for the market pricing system as the primary allocator of economic resources in the framework of a rule of law. The rejection of the centrally planned, or directed, economic systems was made on both economic and ethical grounds.

Third, early neo-liberal thought was marked by an active institutionalism on the part of the State to make possible the proper functioning of the market order. Early neo-liberals drew a contrast to “Manchesterian” liberalism, its inadequate institutional interventions and its alleged dogmatism⁵². “Neo-liberals”, in 1938 and 1947, were concerned about the optimum functioning of the competitive market and concerned about the formation of monopolies. The State had to be cognizant of its responsibilities in shaping institutions that would ensure the optimum functioning of the market order.

Fourth, distinct from this active institutionalism, so-called “social”, or humanitarian, measures of State intervention to alleviate poverty were countenanced by early neo-liberals, although no unanimity was reached on the appropriate scale and scope of these interventions.

⁵¹ See Audier 2008, 2012a.

⁵² Efforts to renew economic liberalism in the 1930s had an important “institutional” component (see for instance Diemer 2010, Diemer 2014, Colin-Jaeger 2021).

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Although the inaugural meeting of the MPS differed significantly from the Lippmann Colloquium, in terms of its historical context, the composition and background of its participants, and the focus of individual sessions, a “civilizational” dimension featured prominently alongside an active institutionalism (focused specifically on the “competitive order”) as well as certain, more specific, public policy measures.

Both the Lippmann Colloquium and the inaugural meeting of the MPS are the product of a certain historical and geo-political context. Nevertheless, there is much that remains conceptually and even empirically of interest to those interested in the trajectory of liberal economic thought and efforts to “renew” of economic liberalism in the context of the crises of our own era.

The context of the early 2020s differs in many ways from that of the late 1930s and mid-to-late 1940s, not only economically, but sociologically and geo-politically. As of 2022, there are too many crises to list here. Geo-politically, the conflict in Ukraine may escalate to a much more deadly conflict, possibly involving the use of nuclear weapons: there are not yet signs pointing to the formation of a durable security settlement, or negotiations. Rising food, fuel and energy prices have already jeopardized social and political order in several emerging markets, including Sri Lanka⁵³. European countries confront a growing energy crisis, marked by volatile prices and a reduction in fertilizer production due to more expensive energy inputs⁵⁴.

The U.S. faces a high rate of inflation. In June 2022, Federal Reserve Chairman Jerome Powell even declared “We now understand better how little we understand about inflation”. Many Americans have little savings in the event of an emergency or unexpected event. Although generalizations are tricky, I have seen enough to conclude that American society in general is not in good shape at the moment⁵⁵. More broadly, in the U.S., there is no real shared civic agreement on what constitutes “the good”, morally, socially and as a matter of politics. With regard to various efforts to change the economic structure in “the West,” is not possible for me to assess here to what extent certain “green” or so-called “ESG” policy measures presently in vogue are driven more by Malthusian assumptions, as proposed measures by the Club of Rome were in past decades.⁵⁶

Albeit formulated in a different historical, economic and sociological context, the questions raised and discussed at the Lippmann Colloquium and the inaugural meeting of the Mont Pelerin Society retain more than just a historical interest. Both gatherings reveal that those seeking a renewal of economic liberalism

⁵³ Dulaney 2022.

⁵⁴ Gebre & Elkin 2022; Wallace 2022.

⁵⁵ There are many problems, which cannot be adequately summarized here. Case & Deaton (2020) have documented the scale of “deaths of despair” in recent years.

⁵⁶ Monga 2022; Papachristou 2022; Sandbach 1978; Hofsten 1977; Golub and Townsend 1977.

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also sought a broader, “civilizational” renewal pertaining to the ethical and moral prerequisites of a free society. These two types of renewal—economic and “civilizational”—appeared inter-related to early neo-liberals. It appeared implausible that one type of renewal would, or could, succeed without the other.

In coming years, the influence of the “Global South” in the world is set to rise quickly, and the fate of economic liberalism in the world will hinge to a large extent on the decisions that countries in the “global South” will choose to make. Their trajectory, whatever form it may take, will be consequential for the fate and the place of “economic liberalism” in the world. To the extent that so-called “BRICS” and members of the global South apply the principles of economic liberalism, they will be in a position to effect a sustained rise in living standards for the masses, as has already happened in China with its partial economic liberalization. Neo-liberal principles are not limited to one geographical area, or to one creed. And, far from denying or crushing the dignity of man, neo-liberal principles presuppose a moral order.

The Lippmann Colloquium and the inaugural meeting of the MPS reveal that economics does not exist in isolation, and that the survival of a free society requires more than just efficient, or rational, economics. Conversely, society has little hope of providing a higher standard of living to the masses in the absence of monetary order, effectively functioning market pricing signals, as well as the array of institutions (including non-corrupt and efficiently functioning courts and law enforcement, and a predictable legal system) that help to make long-term planning, capital investments, feats of engineering and technological innovation, possible. The institutions underpinning the market order ought not to be taken for granted. Such institutions, early neo-liberals surmised, need supervision by the State and have to be regularly updated by the legislator in light of ever-changing economic circumstances and ongoing risks, such as the formation of monopolies. Another tension may be identified, and it was articulated by Michael Polanyi at the Colloquium: times of intense economic crisis and suffering may lead individuals to seek out illiberal alternatives they otherwise would not consider.

Like any set of ideas, “neo-liberalism” can be critiqued and criticized, but early neo-liberal cannot be described as a Malthusian, materialistic, hedonistic, or cruel belief system. The status of human beings was not reduced solely to that of economic inputs, interchangeable and disposable. The liberal State, Rougier insisted, “knows full well that the machine exists for man, and not man for the machine” (Rougier 1938, 87). And, as Rüstow observed at the Colloquium, “man does not live by bread alone” (Rüstow in Reinhoudt & Audier 158). A hedonistic, selfish materialism cannot sustain a free society, which presupposes a vigorous moral order, self-restraint, and a broader, civilizational understanding of the inviolability of man.

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Rather, man was conceived of as a free being with an inherent dignity; it was precisely the inviolability of man that was denied by totalitarian systems and centrally planned economies.

If we re-visit the Lippmann Colloquium and the inaugural meeting of the MPS today, therefore, it is not only because they constitute key chapters in the history of early neo-liberal thought. At both the Lippmann Colloquium and the inaugural meeting of the MPS, “neo-liberals” expressed a desire to renew, renovate and revive economic liberalism, not only for the sake of the rational organization of economic resources, but also to safeguard the dignity and the inviolability of man.

Towards the end of his life, Jacques Rueff, who had partaken in the Lippmann Colloquium and was a founding member of the MPS (although unable to attend its inaugural meeting), re-visited the Lippmann Colloquium’s “Agenda of Liberalism”⁵⁷. Referring to the proposals contained the “Agenda”, Rueff observed that at “the core of these texts is that they affirm that outside of its economic characteristics, a system, in order to be acceptable, must meet the requirements of a moral, social, and perhaps of a cultural order” (Rueff 1977, 25-26).

Those seeking a renewal of economic liberalism in 2022 have to grapple not only with growing economic crises and the extent to which many countries—including those in “the West”—have drifted from principles of economic liberalism, but also with the deeper moral prerequisites for maintaining a free society. This is the difficult question of values and ethics. My own sense is that any effort at renewing economic liberalism is unlikely to succeed in isolation. Under these circumstances, re-visiting the Lippmann Colloquium and the inaugural meeting of the MPS is an effort that is of more than historical interest.

⁵⁷ Rueff 1977, “*Le libéralisme depuis cinquante ans*”.

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