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## Book review: the great persuasion: reinventing free markets since the depression

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## Reviews

### **The Great Persuasion: Reinventing Free Markets since the Depression**

Angus Burgin

**Harvard University Press, 2012**

**ISBN: 9780674058132**

**320pp**

How, despite all the academic evidence and popular common sense, do the evangelists for free markets and the pursuit of profit as the magic elixir for all the world's perils and problems, still get a hearing, let alone control of public policy? The unregulated pursuit of speculative profit by the banks brought the economies of the world to the brink of collapse, yet we are told that it is public services that have to suffer in order to subsidise the bonuses of speculators.

Gordon Brown, more than any other single political leader, tipped the world economy back from even greater disasters, yet the message still goes out that it is not the huge rescue package for the banks, but some failure of the Labour government, which has created debt and economic depression. The US has lamentable health provision - its life expectancy and infant mortality, are worse than those in Britain. Yet we are told that the NHS, one of the most effective health services in the world in terms of both cost and health promotion, needs to be infused with the magic of markets. How have the liberal economic Taleban managed, so successfully, to achieve and to retain their ideological hegemony in the face of the complete failure of their policies to achieve anything save the redistribution of wealth upwards?

The question is not only about the present government of the UK, but is the old and persistent ones of how do ideas and policies change, and how is hegemony achieved? In the years before the second world war, economic depression challenged the prevailing orthodoxies of liberal economics, but though they were dented by Keynes and the evidence of economic failure, they were not demolished. By the second half of the last century they were already being re-established, and with the upsurge of the new Right, the ideology of markets, profit, and atomistic individualism achieved not just a return but transcendence.

Angus Burgin tells one part of this story in his account of the Mount Pèlerin Society set up by F A Hayek in 1947 and providing a flourishing nursery from which Milton

Friedman, the other protagonist of this book, emerged. Burgin's answer to the question of how the ideas promulgated by Hayek, Friedman, and their allies and associates survived, revived, and conquered is one which members and supporters of the Mount Pèlerin Society would have shared, and which Friedman, explicitly provided: intellectual trickle down from an elite. Exceptional individuals through a mixture of genius, persistence, and hard work transmitted new ideas to a small number of fellow souls and, like an ideological pyramid scheme, their ideas slowly infused wider and wider circles of society, at least as far down the social ladder as was needed to control the levers of power.

But the story presented here makes it clear that the industrious innovator explanation is not the whole truth, delightful though it is to see Hayek and Friedman as right-wing Leninists leading the vanguard party of profit seeking. Both Marx and Weber have something to contribute, the first with an understanding that ideologies are politically functional, the second with a conception of the relation between ideas and interests as one of elective affinity, whereby ideas both sustain and are sustained by other institutions and other forms of social and political action. Just as the Christian church was brought into its dominant position by the Emperor Constantine, whose own legitimate image was fortified by the church, so capital funded the ideologists of economic liberalism, sustaining and being sustained by them. It's not just a matter of more or less effective persuasion. Institutional power and group interest are part of the game.

Ideology does not prosper simply as the application, step by logical step, of an overarching or fundamental conception or principle. It is not inherently or necessarily internally consistent, and has a coherence or unity which is organic rather than mechanical or rational. It flourishes when it sustains, and is sustained by, political institutions and social and economic power. The economic liberals did not advance on the small contributions of public citizens, but on the generous, sustained, and strategic funding of private capital. It was a relationship of mutual advantage and dependence that Hayek and his colleagues fully recognised, and one which, on occasion, led to censorship of their activities by their commercial sponsors. What Burgin's evidence shows, despite his sympathy for the notion of the political intellectual as the innovative source of change, is not only the power of ideology, but also the symbiotic relation between ideology and other patterns and practices. Ideology is one component of

politics, and it both sustains and is sustained by institutions and interests. Money, discrete and veiled or openly evangelistic, keeps the presses rolling and the meetings travelled to. Reason is not the only currency in the market of ideas. Hayek could be misleadingly **evasive** about the relationship between funders and ideologists. Nor did the extent of funding for market arguments prevent a persistent insistence by their propagators that they were a persecuted and marginalised minority in a world dominated by socialism and menaced by communism.

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While the history of Pèlerin and after provides plenty of evidence for the elitist side of the explanation, it also illustrates how the very character of elitist politics, with its stress on leadership and hierarchy, creates tensions and schisms among the chosen. The fellowship was frequently riven by disputes in which administrative, political, and personal animosities were inextricably tangled. Burgin's narrative illustrates just what Harold Wilson was talking about when, moving into politics he explained that he was leaving academic life because he couldn't cope with all the back-stabbing. Mount Pèlerin was frequently in danger of fracturing into a range of smaller foothills. Ironically, a body dedicated to proclaiming the necessarily unpredictable consequences of market choice and the rights in markets of each individual to pursue their varied ends, was characterised by competition for ideological certainty and dominant leadership. As Michael Oakeshott roguishly observed in a much-quoted quip: a plan to resist all planning was itself a plan.

The similarities between political opponents can be as revealing for observers as they are disconcerting for participants. In an account which begins with social democracy and the London School of Economics, and ends with doctrinaire market economics in Chicago, Burgin deals with protagonists who are remarkably alike in everything, apart from their ambitions for their fellow citizens. Fabian Socialism under the Webbs and Shaw and the Mount Pèlerin Society under Hayek were each elitist campaigns to change the thinking of lesser mortals. Sidney Webb and Milton Friedman each believed that all the answers lay in the evidence, and that empirical investigation made discussion of value a dilettante distraction. There was a parallel assumption that evidence was not something which ordinary people could be relied on to understand. Beatrice Webb's dismissal of 'the average sensual man' was matched by the Chicago economist Frank Knight's complaint that Keynes, by siding with ordinary citizens, was

'passing the keys of the citadel out of the window to the Philistines hammering at the gates'.

The history of Burgin's principal subjects, Friedman and Hayek, illustrates another feature of intellectual life cycles. Jesus was followed by Paul, Marx by Lenin, and Hayek by Friedman. In each case, the second generation sharpens the message by narrowing the argument. Whereas Hayek envisaged government providing at least a safety net, Friedman wanted an end to public provision in huge swathes, from conscription to national parks. Markets untroubled by government which with spontaneous order had been for Hayek a component of a free society became, for Friedman, the single solution to all of life's problems, a political and economic Collis Browne's elixir which would bring health, education, and prosperity to all mankind. But the sharper the message becomes, the clearer both its aims and its limitations are. The economic right was not a coherent ideology either in its perceptions, its values, or its aspirations.

There were at least three contenders for the foundation of the crusade: markets as an effective distribution mechanism; laissez faire as a virtuous means of individual decision making; profit-seeking as a motor for economic growth and innovation. Each of these aspirations raised problems. If markets were an effective distribution mechanism, what should be distributed, and what should be provided on the basis of other criteria than purchasing power? What was due to Caesar, and what to God, or to God's children? If government should step back and allow free individual choice, what regulation of that choice was permissible or desirable? If profit-seeking was the most effective motor of progress, what justification was there for regulating it, and how should it be regulated? Names such as 'free markets' or 'neo-liberalism' simply masked what was, as are all ideologies, a hold-all of aspirations and aversions.

Burgin's study concentrates on what those whom the author collects under the 'market' umbrella wanted, and pays less attention to what they opposed. But like any ideology, the conceptions and perceptions of this segment of the new Right were composed of both aspirations and aversions. The negative and antagonistic side of their ideology is at least as revealing, and at least as important, as what they aspired to. It wasn't just, or perhaps even principally, planning which they disliked. Rolling back the state and promoting, or permitting, liberty concealed the selectivity of each of those goals.

'Rolling back the state' was a phrase which concealed the rather different aim of rolling back the public sector. Each policy arises from a prior choice, explicit or implicit. Burgin cites Keynes who pointed out that economic debates were frequently 'proxies' for arguments about what kind of society you wished to live in and what kind of life you wanted to lead. This was clear in Friedman's attempt to avoid advocating an amoral economism where everything had a price, and nothing a value. Free choice in a market, he argued, was the most effective promoter of virtue. The completion of this argument, however, depended on defining virtue as self-reliance, so constructing a circle which maintained that markets were virtuous because they encouraged the form of behaviour which they encouraged.

Universal public services, progressive taxation, the provision of goods as a response to need, not as a response to ability to pay, and a presumption of equality, were all elements in the society which, explicitly or implicitly, the marketers wanted to demolish. Liberty was all very well, but equality and fraternity were quite another matter. It was equality that was steadily jettisoned even if it had been tolerated at the start of the campaign, by those such as Milton Friedman for whom liberal policies were increasingly the means to achieve conservative outcomes. But Hayek also had made the qualification in his argument that, in order to achieve economic freedom, political freedom would need to be curtailed, both by limiting the matters on which democratic authority could be exercised, and by limiting the categories of citizens who could be allowed to participate in democratic politics. Freedom thus becomes freedom for some, while – if goods and services are enjoyed as a result of individual choice, and depend upon the economic resources to make such choices – if you haven't got them, it can be made to feel like your fault. This doubly penalises the poorer citizens by first depriving them of benefits enjoyed by the economically more fortunate, and second stigmatising them for personal failure. It is the perennial choice between universality and equality versus targeting and hierarchy, and the principles which the marketers wanted to dominate in the provision of goods and services, they were all too ready to limit in the exercise of citizenship.

Burgin raises, but does not pursue, the question of the status of market ideals after 2008. The answer to this question though provides evidence for answering the question constantly implied but not directly addressed in the bulk of the book: how is hegemony achieved and sustained? The text provides plenty of evidence, such as the

massive proliferation of well-funded, right-wing think tanks in the last quarter of the 20th century which, while they were not the sole source of ideological success, provided an army of Constantines to turn a sect into an established church.

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