



OPHI WORKING PAPER SERIES

Winning Ideas: Lessons from free-market economics

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Abstract:

For economic ideas to take root and change history, a number of ingredients need to be present, ranging from individual agents to policy implementation. This paper identifies certain strategic levers that underlay the success of free market economists in promoting their approach in academia, society, and government. How did these economists move from a marginalized position where they could not publish or receive tenure and where their students were not hired at other leading universities, to a position of dominance? In particular, it examines the impact of F.A. Hayek, and of such institutions as the Mont Pelerin Society, the Institute for Economic Affairs (IEA) in Britain, and the funding arrangements. The paper draws on the wealth of secondary literature regarding the spread of free market economic ideas, particularly in the US, Latin America, and the UK, to identify five strategic activities and methods of transmission that were central to their advance, and will be relevant to others.

The role of people is to keep ideas alive until a crisis occurs. It wasn't my talking that caused people to embrace these ideas, just as the rooster doesn't make the sun rise.

MILTON FRIEDMAN¹

Humans need narratives in order to make sense of the world. Anthropologists, sociologists and philosophers offer many different accounts of these human stories: to what extent they exist simply to legitimate group interests, and to what extent they are open to rational revision. But changing the narratives and theories we use to interpret and engage with the world is central to making it a more just place.

The picture of thinkers as *roosters* seems too weak. The sun would rise in exactly the same way, even if the rooster died in the night. But if theories are enacted, they affect what occurs next. They shape the 'sunrise'. Yet theories do not become enacted as a result of a calm, Socratic dialogue, conducted by thinkers seeking only after truth. To advance good (or bad) theories from ideas to enactment involves strategy and planning.

That, at least, is the thesis of this paper. The evidence offered comes from the architects of free-market economics. Far from being roosters, we shall argue that free-market economists were more akin to *tortoises*: patiently developing a line of thought and cultivating a community over more than 25 years, and discerning the right time for practical interventions. This conscious reshaping of the intellectual landscape has had a huge impact on contemporary thought and practice.

The methods by which free-market economics overtook socialism has implications for researchers working on other economic approaches. It suggests they should neither underestimate the power of ideas and narratives, nor expect good theory to win out swiftly by force of argument alone. The tortoises showed strategy and patience.

This paper draws attention to the strategic activities and tactics beyond academic argument (which is essential) that proved central to the advance of broadly free-market ideas from the 40s to the 70s. We use the title 'free-market' because this was a self-description common to these authors, is comprehensible internationally and is less imprecise than alternative descriptors.² We will give little attention to the content of the theories – which we acknowledge varied across time and individual proponents. We will also not attend to the economic and political context although these clearly set the stage for change. Because good recent histories are available,³ we

¹ (Yergin & Stanislaw, 2002)

² Overlapping economic ideas are also sometimes referred to as libertarian, liberal, neoliberal neoclassical, although these titles are also used in different ways. (Colander, 2000)

³ (Blythe, 2002; Caldwell, 2005; Colander & Coats, 1993; FitzGerald & Thorp, 2005; Glyn, 2006; Harvey, 2006; Mirowski, 2002;

also do not focus on one period or region but present examples from several historical and institutional settings. As Hayek's biographer Caldwell wrote, a tragic effect of the positivist influence on economics "is to cause economists to think that the study of fields like the history of ideas and methodology is unnecessary for the training of economists."⁴ Our aim is to interest readers unfamiliar with this literature in engaging further, as well as in reflecting on the tactics used in advancing other economic ideas.

The paper proceeds as follows. After a brief introduction to our thesis that the rise of free-market economics was in part due to the conscious strategic decisions made by key intellectuals and financiers, the body of the paper introduces five 'tactics of tortoises' that both proponents of this approach and outsiders would argue, were (and are still likely to be) fundamental to the spread of economic ideas, and provides examples of their use. A final section concludes with reflections more specifically on the development of the capability and human development approach.

TACTICS OF TORTOISES

It is possible to forget how marginalized non-socialist economists were just fifty years ago – when they could not publish in mainstream journals, could not obtain tenure at major universities, and lacked the respect of their academic colleagues. Part of their ascendancy is due to careful and strategic planning.

In 1949, Friedrich von Hayek published an essay entitled 'The Intellectuals and Socialism' which opened with the sentence, "In all democratic countries... a strong belief prevails that the influence of the intellectuals on politics is negligible"⁵ The essay challenges the belief. It analyses the methods underpinning the rise of the dominant socialist worldview – a success he observed from the intellectual margins, then sought to undermine using similar methods.⁶

Hayek faced an intellectual climate dominated by an economic paradigm which cried out for the serious interrogation he provided – yet resisted it. The publication of *The Road to Serfdom* had established him publicly as a high-profile political and economic theorist, and simultaneously had discredited Hayek within his profession for being simplistic (as well as, in his colleagues' view, wrong). When he left the London School of Economics in 1950 he was barred from joining the Economics department in the University of Chicago, and was instead a professor of social and moral sciences. It was not until the 1970s that free market economics gained political traction, for example with economic deregulation under Carter. Hayek's Nobel Prize in 1974 and Friedman's in 1976 signalled the change that was beginning, and that accelerated rapidly under Reagan and Thatcher in the 1980s.⁷

We not only have Hayek's and others' early writings, but also a retrospective literature which tells of how its implementation fared. These include insider tales such as John Blundell's collection of essays for the Institute of Economic Affairs, on the topic of *Waging the War of Ideas*.⁸ These are complemented by the think-tank websites where free market thinkers continue to analyse how the intellectual weather was, and can be, made.

Nelson, 2001; Overtveldt, 2007; Sikkink, 1991; Weintraub, 2002)

⁴ (Caldwell, 2005) p 372

⁵ (F.A. Hayek, 1949) p 371 – opening sentence

⁶ (F.A. Hayek, 1949)

⁷ (Harvey, 2006) p 20f

⁸ (Yergin & Stanislaw, 2002) J. Blundell, *Waging the War of Ideas* (London, Institute for Economic Affairs, 2007).

Such accounts cannot be accepted uncritically - actors on the intellectual and political stages are inclined to overestimate the significance of their behaviour. But as our focus is strategy, we give serious attention to the informal stories told by successful generations of free market tortoises as they seek to impart their wisdom to the next.

What emerges from these stories is the argument that intellectual weather is made by 1. using moral narratives, 2. targeting 'second hand traders', 3. developing intellectual community, 4. fostering talent, and 5. engaging politically. Running through these was a canny ability to recruit vested interests to support the development of these ideas financially and institutionally. It is an imprecise task to categorize authors and strategies from different decades in a short space, hence these are set forth for the purposes of discussion, and key ideas are doubtlessly overlooked or underemphasised.

1. MORAL NARRATIVES

The stories humans tell one another involve evaluation as well as description: we need to make sense of life, and to be inspired as well as advised.⁹ The story the free market authors told is a potent and not entirely coherent blend of ideals and empirical assertions. But from the early days, on paper at least, ideals were articulated without hesitation.

In *The Intellectuals and Socialism*, Hayek tells his readers to have 'the courage to be Utopian':

The main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals and therefore an influence on public opinion...¹⁰

The Mont Pèlerin Society, where Hayek's essay was first presented, took immediate notice. Its founding statement opens with a bold moral statement: "The central values of civilization are in danger... human dignity and freedom."¹¹ To the present day, the Heritage Foundation website locates itself on the moral highground: "We are not afraid to begin our sentences with the words "We believe," because we do believe: in individual liberty, free enterprise, limited government, a strong national defense, and traditional American values. ... We believe that ideas have consequences, but that those ideas must be promoted aggressively."¹² When a system is dominant – be it the one Hayek sought to challenge, or the one he himself advocated – it militates against the imagining of alternatives. A pivotal challenge is to articulate the vision of another possible world.

This is what Hayek does so successfully in *The Road to Serfdom*.¹³ This central text is neither a work of economics, nor is it a particularly technical piece of philosophy or political theory. It is written clearly and accessibly (even more so in the condensed version), and outlines a moral case for classic *laissez-faire* free market economics. The book does contain some empirical claims, but they are not largely about economic efficiency. They are about the kinds of society that will emerge if different economic and social policies are followed. As Hayek wrote, "There is scarcely a political ideal or concept which does not involve opinions about a whole series of past events."¹⁴

⁹ This is discussed insightfully by Charles Taylor, in the opening chapters of *Sources of the Self: The Making of the Modern Identity* (Cambridge, Cambridge University Press, 1989) - see especially 31f and 47f on orientation to the good, and narrative unity respectively.

¹⁰ (F.A. Hayek, 1949).

¹¹ (Harvey, 2006) p 20

¹² <http://www.heritage.org/About/aboutHeritage.cfm> accessed 4 August 2007

¹³ (F.A. Hayek, 1994)

¹⁴ Hayek, *Capitalism and the Historians*, cited in (Blundell, 2007), p 35

The Road to Serfdom offers a broad-brush argument of what was wrong with collectivist economic policies. It describes, in a way that resonated with the readership, objectionable social features of the day, and alleged both that socialism had generated these and further, that such policies had given rise to fascism and Nazism. The account we give of the past shapes current policy priorities. Yet *The Road to Serfdom* does not offer a blue print for economic policy but a set of moral principles for assessing economic arrangements. This is not incidental but deliberate. At the close of the book, Hayek argues that ‘It is at least doubtful whether at this stage a detailed blue-print of a desirable internal order of society would be of much use – or whether anyone is competent to furnish it. The important thing now is that we shall come to agree on certain principles and free ourselves from some of the errors which have governed us in the recent past’¹⁵

To watch the highly-regarded television comedy *Yes, Minister* (and its sequel *Yes, Prime Minister*) is to see a powerful and popular articulation of several key free market themes. Politicians and bureaucrats have an incentive structure which leads to empire-building and not service delivery; business leaders are generally efficient (unless cocooned by the ‘old boy’ network of the City); the real battle is not between different conceptions of the good life, but between (usually marketising) reforms and a Civil Service keen to preserve its vested interest through immensely creative forms of inertia.

Moral narratives have a limited role of course. It is rare to see a group convinced by a narrative that involves a redistribution of wealth and power away from them and towards someone else.¹⁶ And when the discrepancy between the narratives and the systems they popularize to nurture those ideals grows too great, their power dwindles. Yet in public debate, ideals must motivate.

2. TARGET THE ‘SECOND-HAND TRADERS’

A compelling moral narrative is a necessary, but by no means sufficient condition for success. The story of the dissemination of *The Road to Serfdom* is an interesting one: a condensed version was published in the April 1945 *Readers’ Digest*, and the clear and inspiring story it told resonated with many readers. The narrative Hayek offered often chimed with their economic interests: lower regulation and lower taxes are a message about which entrepreneurs would *want* to read a compelling defence. As we shall see a number of businessmen subsequently organised financial support for the cultivation and propagation of these ideas.

Hayek made a distinction between the producers of ideas, and the second-hand traders, whom he called ‘intellectuals’.¹⁷ These are the people who communicate ideas to a mass audience: journalists, novelists, entrepreneurs and filmmakers being prime examples. So when seeking to evoke change, his primary focus is not academia - it is the people who write op-eds in magazines and newspapers, and who direct documentaries, comedies corporations and films. These people have a crucial filtering role and thus help to determine which ideas become enacted. He wrote:

¹⁵ (F.A. Hayek, 1994) At page 261

¹⁶ It looks very possible that our current paradigm both underestimates the role of the professional virtues, and the potential for the abuse of power in the unregulated market. The latter point is made very well in the 2005 film *Enron: The Movie*. It is fascinating to view it alongside *Yes, Minister*, and ponder the economic and political narratives in the background of the two, very different, works.

¹⁷ What qualifies a person as a second hand trader in ideas is “the wide range of subjects on which he can readily talk and write, and a position or habits through which he becomes acquainted with new ideas sooner than those to whom he addresses himself.” (F.A. Hayek, 1960 (reprinted from 1949)) p 372. Other term these ‘epistemic communities’ See (FitzGerald & Thorp, 2005) p 24f; also (Harvey, 2006) p 47f.

Society's course will be changed only by a change in ideas. First you must reach the intellectuals, the teachers and writers, with reasoned argument. It will be their influence on society which will prevail, and the politicians will follow.¹⁸

In writing *The Road to Serfdom* Hayek meant to influence intellectuals as well as academics. John Blundell's study identifies the relationships which enabled his work to be disseminated in this way: it testifies to the potential of focused, intentional contact-building.

By this initial foray into the public realm Hayek also recruited the financiers who enabled free market thought to develop in detail and application – and we shall look at how that happened in more detail below. In the midst of economic upheavals such as the oil crisis, free market economists were able to offer a set of policy prescriptions (the fruit of intensive and patient academic labour), but also a compelling narrative which made sense of people's experiences. Feelings of national decline in Great Britain - reaching their culminations in the 'winter of discontent' led to a story of over-powerful unions, an inefficient public sector, and the need for the purgative medicine of monetarist economics.

At the popular level *Yes, Minister* (and in a very different way, *Enron: The Movie*) exemplifies the way in which what Hayek calls 'intellectuals' communicate academic ideas into the popular realm - and shows that sometimes these ideas resonate and help to make sense of much of a population's lived experience. The lesson here is not to seek a crude impact by a new theory on these forms of communication – as if each economic school needed its own soap opera. Rather, the lesson is that communicating with the intellectuals was a conscious aim of free market economists from Hayek onwards, and that effective communication of this kind can have a huge impact - when combined with a well-researched set of claims, woven into a compelling and graspable narrative.

This continues steadily in other eras – for example Paul Samuelson wrote a regular column in *Newsweek* for 15 years; economist's blogs are the present day equivalent.¹⁹

3. DEVELOP INTELLECTUAL COMMUNITY: MONT PÉLERIN CHICAGO AND THE IEA

As well as a focused strategy for the dissemination of ideas, Hayek and subsequent free market thinkers created a strategy for their development. This involved a commitment to intellectual excellence, and the building of academic community. The most well-known of these communities, of course, was the University of Chicago. Mont Pélerin Society, Chicago and the Institute of Economic Affairs are described below.

Mont Pélerin

Hayek founded the Mont Pélerin Society, an international community of scholars and intellectuals supported by the Volker Fund, as a means of developing the vision of free market economics, and of disseminating it in the wider culture. The Mont Pélerin Society first met in the eponymous Swiss spa in 1947, bringing together an outstanding and small group of academics, most of whom were economists. Its webpage relates,

After World War II, in 1947, when many of the values of Western civilization were imperiled, 36 scholars, mostly economists, with some historians and philosophers, were invited by Professor Friedrich von Hayek ... to discuss the state and the possible fate of liberalism (in its classical sense) in thinking and practice.

¹⁸ Ibid, 84.

¹⁹ (Nelson, 2001) P 94

The group ...emphasised that it did not intend to create an orthodoxy, to form or align itself with any political party or parties, or to conduct propaganda. Its sole objective was to facilitate an exchange of ideas between like-minded scholars in the hope of strengthening the principles and practice of a free society and to study the workings, virtues, and defects of market-oriented economic systems.²⁰

However what the group did do was to discuss basic and foundational elements of a free market approach – a task they could do by convening those broadly interested in the market, as even among that group a significant diversity of views remained. As Hayek said in his opening address,

I have been surprised by the number of isolated men whom I found in different places, working on essentially the same problems and on very similar lines. Working in isolation or in very small groups they are, however, constantly forced to defend the basic elements of their beliefs and rarely have opportunity for an interchange of opinion on the more technical problems which arise only if a certain common basis of conviction and ideals is present.²¹

The group was set up to endure. For, as Yergin and Stanislaw's interviews with Hayek elucidated, 'he believed that the struggle would be a long one; liberal thinking would be on the defensive 'for the next ten or twenty years, during which the present collectivist trend is bound to continue.'²² His proved to be an accurate belief.

From the beginnings, the Mont Pèlerin Society was not simply an 'ivory tower' – it sought to develop ideas that could have real influence. And the possibility of gaining real influence enhanced its attraction. 'The Intellectuals and Socialism' was itself initially a strategy paper for the group, for academia as well as the world of the intellectuals was a crucial battleground in the war of ideas. Partly this was for the simple reason that the free market ideas needed to be tested and developed by the disciplines of academic debate and research. But also, if a school of thought has earned a reputation for rigour and excellence, it rightly gives that school a greater weight beyond academia.

University of Chicago

The last two characteristics – the interest in exerting real influence, and in deserving a reputation for rigour and excellence, also characterise the University of Chicago.

Edward Schils described 'intellectual *gravitas*' as 'the distinctive mark of the University of Chicago... scholarly and scientific work was thought by students and teachers alike not simply as a means of gaining a livelihood or as an agreeable setting for a life of ease and pleasure, but as a matter of the gravest moment.'²³ In the early days, the economics faculty at Chicago was crucial to the ferment of free market ideas – indeed the young Milton Friedman's first trip to Europe was to attend the inaugural meeting of the Mont Pèlerin Society. Yergin and Stanislaw identify intellectual excellence, and the single-minded investigation and development of the free market paradigm across a range of issues as central to Chicago's success. The Ph.D. programme had rigorous and well-defined standards and (as George Schultz commented) "It was more a university than anywhere else. People from all over the university interacted as colleagues."²⁴

Milton Friedman was pivotal in establishing the culture as his personal characteristics of enthusiastic, focused and ruthless argument without pettiness, and his passion for the subject,

²⁰ <http://www.montpelerin.org/mpsAbout.cfm> accessed 4 August 2007

²¹ (F.A. Hayek, 1967) See also (Yergin & Stanislaw, 2002) 126

²² (Yergin & Stanislaw, 2002) 126-7

²³ (Overtveldt, 2007) p 25 citing Edward Schils (1991, xi-xii)

²⁴ (Yergin & Stanislaw, 2002) 128.

inspired a great deal of loyalty among his students, and created a distinctive kind of camaraderie. In a sense it was these personal characteristics – beyond his professional competence – that fostered a dynamic community.

In his recent study, Johan van Overtveldt includes relevance and academic achievement with three others, to obtain what he considers to be the five characteristics of the ‘Chicago Tradition in economics:

A fanatical work attitude, the firm belief in economics as a true science of the highest relevance for daily life, the emphasis on scholastic and academic achievements, the preparedness to put everything continuously into question, and the apparently inspiring isolation of the University of Chicago.²⁵

Institute of Economic Affairs

Antony Fisher was one of 600,000 American readers to encounter the condensed version of Hayek’s *The Road to Serfdom*, in the front of the *Reader’s Digest* in April 1945 during the days of paper rations.²⁶ He was also one of many for whom this book had a major effect. He consulted Hayek whether to go into politics; Hayek advised him to go into business but stay involved – so he became a chicken farmer. When Fisher’s fortune gathered, he donated funds to found the Institute of Economic Affairs. The IEA opened in 1955 as the original UK think-tank on free market economics.

The equivalent US think-tank, the American Enterprise Institute (1943), was conceived in 1938 by a group of business leaders in New York who were horrified by the prospect of price controls being continued after the war. Its history describes itself as “a partnership of top executives of leading business and financial firms (Bristol-Myers, General Mills, Chemical Bank) and prominent policy intellectuals (Roscoe Pound of the Harvard Law School, economic journalist Henry Hazlitt, and disillusioned New Dealer Raymond Moley).”²⁷ Like the IEA, the AEA was non-partisan and not aligned with political parties.

Blundell refers to these institutions (The Mont Pelerin Society, Chicago School, IEA *et al*) as an ‘artillery’ which outlined a set of fundamental principles. As the political climate ripened, a distinct ‘infantry’ of institutions (for example in the Centre for Policy Studies (1974) and the Adam Smith Institute (1976) in the UK) looked after specific practical applications. Seldon described their role in this way: “The IEA would be the artillery firing the shells (ideas). Some would land on target (the intellectuals), while others might miss. But the Institute would never be the infantry engaged in short-term, face-to-face grappling with the enemy. Rather, its artillery barrage would clear the way for others to do the work of the infantry later on. The IEA would show why matters had gone wrong and set out broad principles, while others would argue precisely how matters should be put right.”²⁸

The IEA and other leading groups were strategic in the number of battles they picked, identifying a small set of well-chosen policy issues (unions, inflation, privatisation) to the focus of all available academic and intellectual capacity and political firepower.

They also identified the vested interests that would benefit by the promulgation of free-market ideas, and cultivated them. As Harvey writes, “Think tanks, such as the Heritage Foundation, the Hoover Institute, the Centre for the Study of American Business and the American Enterprise

²⁵ (Overtveldt, 2007) p 20

²⁶ (F.A. Hayek, 1994) p xix

²⁷ (American-Enterprise-Institute, 2003)

²⁸ (Blundell, 2007) p 21

Institute, were formed with corporate backing both to polemicize and, when necessary, as in the case of the National Bureau of Economic Research, to construct serious technical and empirical studies and political-philosophical arguments broadly in support of neoliberal policies. Nearly half the financing for the highly respected NBER came from the leading companies in the Fortune 500 list. ... ‘Business was’, Blyth concludes, ‘learning to spend as a class’²⁹ The expansion of think-tanks continue, with the IEA reporting 100 other sister think-tanks with similar principles. Such expansion was accelerated by the Atlas Foundation, whose mission is “To discover, develop and support ‘intellectual entrepreneurs’ worldwide who can advance the Atlas vision of a society of free and responsible individuals.”³⁰ With Atlas support and very practical guidance, individuals have set up think-tanks across the world.

Moreover, the think-tanks were politically engaged yet independent (financially and institutionally) from political parties. Thus there was much planning ahead whilst the politicians sympathetic to the free market were in opposition, and there was also a commitment to rigorous, independent analysis once they were in power. It was important that structures with some distance from government could continue to generate new ideas and critique political practice – with all the compromise and improvisation it necessarily involved.

Further, the relationship with the intellectuals remained crucial: not least in the orchestration and dissemination of key speeches by sympathetic politicians once in power, to communicate the free market analysis in simple terms to the wider public.³¹

4. FOSTER TALENT

Another tactical move was to invest in talent – both junior and senior – because a few strategic investments could drive an agenda. Blundell describes the foundation of the IEA in terms of only four men. The sequence is this: ‘Hayek advises Fisher; Fisher recruits Harris; Harris meets Seldon. In nine words, that is the start of the IEA.’³²

Yet in the 1940s, free-market ideas had not yet permeated the academy, where the next generation of economists were being taught and examined, were taking up teaching posts, and building up research groups. In an external environment in which free market economists were marginalized from the academic mainstream, they were also unable to recruit the top talent from the younger generation. What was the answer to this impasse? Money and organization. Financial resources were marshalled from interest groups external to the academy and directed to endow chairs in free enterprise across America for the senior intellectuals, and direct support for the incoming generation. The amounts of money were vast, but more to the point they were invested very strategically, so as to focus on the people.³³

As in so many cases, a few individuals played significant roles. Harold Luhnow was also impressed by Hayek’s *Road to Serfdom*. In 1944 Luhnow became head of the Volker Fund, set up by his uncle William Volker. In 1945 he met Hayek and asked how the Fund could support Hayek’s work. Blundell identifies five strategies that the Volker Fund subsequently pursued. First, “it supported key world-class scholars who at that time could not obtain positions in American universities.” It was the Volker Fund who brought Hayek to the University of Chicago and paid his salary (and that of other senior intellectuals such as van Mises). Second, it supported

²⁹(Harvey, 2006) p 44 citing (Blythe, 2002) p 155

³⁰http://www.atlasusa.org/V2/main/page.php?page_id=391 accessed 4 August 2007

³¹(Blundell, 2007) p 110-112.

³²(Blundell, 2007) p 101

³³Sally Covington 1997.

small scholarly meetings for the exchange of ideas – including the Mont Pèlerin Society as has already been mentioned. Third, it laid the pattern that the Institute for Humane Studies later followed, of identifying top young talent, nurturing and supporting it. Fourth, it published a book series because the mainstream publishers spurned these titles. And fifth, it established critically important institutions such as the Foundation for Economics Education (FEE) (1946) whose mission is ‘to offer the most consistent case for the "first principles" of freedom: the sanctity of private property, individual liberty, the rule of law, the free market, and the moral superiority of individual choice and responsibility over coercion.’³⁴

As these ideas began to take deeper root, and tenure and publication were easier to come by, there could be more of a focus on identifying new talent, and persuading it to take advantage of these opportunities. This was done in a focused and systematic way through a series of organisations. Most notably, since the 1970s, the American Institute for Humane Studies focused on

identifying, developing and supporting the very best and brightest young people it can find who are (a) market-oriented and (b) intent on a leveraged scholarly, or intellectual, career path.³⁵

An appreciation of young people’s academics needs and motivations - for community, job prospects and a good standard of living - enabled the IHS to identify and train people who might, without this nurture, have left academia, or not pursued a free-market perspective.

As another example of reaching to the youth, the IEA developed a series of publications named ‘The Hobart papers’. The Hobart papers took an issue and examined the evidence critically from a number of perspectives, before reaching, self-critically and with a great deal of nuance, at least in the initial days, their conclusion. Thus the papers were classic examples of rhetoric, sources of up-to-date accurate information and clear analyses. Not unsurprisingly the Hobart Papers were extensively consulted by students in Oxford and Cambridge who had to produce swift and stunning essays on topics such as housing policy. It was also natural mechanism by which to articulate the value-added of a free-market analysis in comparison with other analyses. (Yergin & Stanislaw, 2002)

So the fourth tactic was the use of money to identify, train, reward, and network highly talented, highly motivated economists with a passion for the free market.

5. THE HARE LOST THE RACE - ON LOITERING WITH INTENT

In the metaphorical menagerie, it is clear why Friedman chose the rooster. Free market thinkers were acutely, and quite rightly, aware that even the best of ideas have to wait for their time. The challenge, then, is to be poised to move when the opportunity arises - which requires patience and strategic wisdom. A central part of this achievement was in offering a set of concrete, bold, practical policies to address the trials faced by many western economies in the 1970s.

But as we indicated earlier, the picture of the rooster is too passive: we are drawn back to the story of the hare and the tortoise. For the patient accumulation of resources, and great wisdom in how to deploy them to maximal effect, was central to the successes of free market ideas. They knew how to loiter (or at least, move forward slowly) with intent. They also knew when to pounce (which is perhaps where our metaphor breaks down).

After 1975 Chile provided the first such laboratory for the ‘Chicago Boys,’ and the context of a military coup was not as inimical to these lovers of freedom as an innocent might be led to

³⁴ (Blundell, 2007) p 38-9 see <http://www.fee.org/tradition/>

³⁵ (Blundell, 2007) p 40.

imagine. In the nature of neo-liberalism there is a considerable suspicion of the political process: the economic freedom of exchange at the heart of both Hayek and Friedman's thought can be imperilled by the tyranny of the majority. A situation where socialist policies are pursued, even with the approval of most voters, is an intolerable infringement of liberty. And so, paradoxically, authoritarian states - such as Chile under Pinochet, or some of the East Asian "tigers" - might find it easier to restore economic freedom. According to Juan Gabriel Valdes' study, the neo-liberals who determined the military régime's economic policy acknowledged that dictatorship was

a positive and necessary situation. It allowed the historic vices of statism to be corrected. The economists and their media apologists did not hesitate to admit that it was precisely the authoritarian nature of the régime that allowed the reforms to take place.³⁶

The leaders of the coup did not initially intend to pursue neo-liberal policies: it was a policy vacuum which gave the 'Chicago Boys' their opportunity.³⁷ The vital prelude was a longstanding relationship between the economics faculties in Chicago and in the Catholic University in Chile.

Right from the start the process... was a deliberate and programmed attempt to transfer ideas... backed by a specialised structure [i.e. the predominant group of economists at Chicago] ... based on an intermediary [the International Co-operation Administration of the US Government] which had the adequate means to make the operation viable.³⁸

In the end, Valdes suggests that this tightly controlled "ideological transfer" created a strong loyalty to a moral and conceptual analysis of the economic order. Whilst this strong "emotional and affective attitude to economic doctrine" enabled drastic structural reforms to be effected, it may also have contributed to the inability to respond effectively to the shocks leading up to the economic crisis of 1982.

If a military coup gave the neo-liberals their opportunity in Chile, it was a political and economic upheaval that presented the opportunities in the UK. As in Chile, it was not within the neo-liberals' power to make the economic weather - what the neo-liberals *had* done was placed themselves in a position to act effectively when a storm broke; offering a compelling account of the crisis, and of the reforms they claimed would be necessary to restore national prosperity and confidence. The dramatic collaboration 'Mad Monk' Keith Joseph and Margaret Thatcher drew on the IEA and exemplify perhaps as clearly as any political situation, the tactics here described. It was of the IEA that Margaret Thatcher said, "They were the few, but they were right, and they saved Britain."³⁹

It is worth noting here that the Chilean and British contexts offer interesting agenda for further research. It will be important to establish how the free market thinkers developed the contacts, the analysis of the crisis and the very specific policy prescriptions which together enabled their vision to be implemented and refined in the furnace of practical experience. A key part of such research needs to be a re-narration of the 1970s on the part of what one might loosely call the 'economic left'. Plainly, free market ideas derived much of their popularity from the sense that a more interventionist, corporatist approach to politics and economics was tested by practical experience and found wanting. To what extent is this story of the seventies fair - and to what extent is the contrast in economic performance in these nations under corporatist and free market policies (a) exaggerated and/or (b) due to extraneous factors? Given the widespread

³⁶ (Valdes, 1995) p.29

³⁷ Harvey observes that they had received government support since the 1950s as part of a Cold War programme to counteract left wing movements in Latin America. (Harvey, 2006) p 8.

³⁸ Ibid, 49.

³⁹ Cited on the inside cover of (Yergin & Stanislaw, 2002)

perception - certainly in Anglo-American contexts - that the seventies demonstrated the bankruptcy of a certain kind of corporatism, and the eighties vindicated a free market alternative, the left needs either to show it has learned the lessons of the seventies, or to argue that this narrative does the facts a gross injustice.⁴⁰

So the fifth tactic is that purveyors of economic ideas must learn how to ‘loiter with intent’ - knowing when the time is right in particular contexts to offer distinctive policy prescriptions, and engaging with the intellectuals to communicate a clear and compelling story about why they are needed.

IDEOLOGY AND CRITIQUE

This impressionistic sketch is intended to provoke not only further research, but also to provoke reflection among researchers. Caldwell lamented the disinterest in economic history and methodology – a disinterest that is often exaggerated in issues of economic development or poverty reduction. What this short and broad-brush account shows is that ideas do change from the margins to central positions, but that, at least in the case of free-market ideas, they did not attain their position magically; they were strategically advanced.

At the same time, these tactics raise a key question, which is how to sustain critical and active investigation of fundamental issues and encourage disagreement, dissensus, and pluralism of views. In the absence of this, economic approaches might be (and have been) advanced because of a kind of idea-loyalty in which supporters doggedly proclaim the superiority of an approach even if its alleged virtues cannot be concretely demonstrated or empirically validated. While such conviction may seem far-fetched as well as in poor taste, loyalty to economic ideologies may seem difficult to avoid.⁴¹ Keynes famously claims, in his closing paragraph of the *General Theory*, that in addition to their ‘correctness’, economic ideas are a force to be reckoned with – and it is this concern that prefaces the more famous quote.

Is the fulfilment of these ideas a visionary hope? ... I do not attempt an answer in this place. ... But if the ideas are correct—an hypothesis on which the author himself must necessarily base what he writes—it would be a mistake, I predict, to dispute their potency over a period of time. At the present moment people are unusually expectant of a more fundamental diagnosis; more particularly ready to receive it; eager to try it out, if it should be even plausible. But apart from this contemporary mood, the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval...⁴²

The final ‘tactic’ of the tortoise, and the one that may be most needed to complement the others – is one for which we do not have clear precedent. It is the tactic by which ideas are strategically

⁴⁰ (Glyn, 2006)

⁴¹ {Colander, 1992 #1744}

⁴² Keynes, John Maynard. 1936. *General Theory of Employment, Interest and Money*. Chapter 24. p 383

advanced *and* critically scrutinized – where clear policy guidance is given, but complexity is maintained – where a clear moral narrative can emerge, as well as ongoing heterodoxy and internal debate. This last essential tactic may as difficult as it is vital: the formation of a tortoise choir.

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