

Second Annual Conference on the History of Recent Economics
Technical University of Lisbon
5-7 June 2008

Means and Ends in Post-War Liberalism

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16 May 2008 draft*

“To deny that the end justifies the means is indirectly to assert that the end in question is not the ultimate end, that the ultimate end is itself the use of proper means” Milton Friedman, *Capitalism and Freedom*.

“When we say *economism*, we mean one of the forms of social rationalism We mean the incorrigible mania of making the means the end, of thinking only of bread and never of those other things of which the Gospel speaks” Wilhelm Röpke, *A Humane Economy*.

Introduction

The Mont Pelerin Society, the brainchild of F.A. Hayek, was an attempt to reclaim and reenergize liberalism in light of the intellectual onslaughts of socialism, communism and Nazism in the first part of the twentieth century. But in April 1947 as Hayek and his fellow conferees departed the inaugural meeting of the Society for their homes in Europe and America, they were united more in their sense of impending crisis from growing worldwide nationalism and state control than in a shared understanding of the moral and philosophical foundations of liberalism. The program of the Mont Pelerin meeting

* Thanks to Angus Burgin, Tiago Mata, and Steve Medema for comments on an earlier draft.

included five sessions on economic issues such as monetary reform, trade unions, and agricultural policy; two sessions on post-war Europe; and two on historiography and politics. There was one session on liberalism and Christianity, and four on the purpose and organization of the nascent Mont Pelerin Society. The latter five sessions proved to be contentious. In retrospect this is not surprising, as these discussions went to the very nature and purpose of a liberal association such as the Mont Pelerin Society and of a liberal politics. The question of the nature and purpose of liberalism was not settled at the first Mont Pelerin Society meeting and we suspect that it remains unsettled today.

After Hayek made opening remarks, a committee composed of himself, Walter Eucken, H.D. Gideonse, Henry Hazlitt, Carl Iverson, and John Jewkes¹ prepared a document stating organizational aims for the permanent body. The document failed to gain sufficient support for adoption and Lionel Robbins was asked to write a second draft. Robbin's version was adopted, and remained the Society's only official statement of aims for the organization. There has never been an official Mont Pelerin Society statement of a liberal creed. The Mont Pelerin Society began as and remains an organization committed to inquiry and discussion "among minds inspired by certain ideals and broad conceptions held in common, to contribute to the preservation and improvement of the free society" (Hartwell 1995) (p. 42).

What were the ideals and broad conceptions held in common? Our thesis is that the original Mont Pelerin Society members held less in common on what they were in favor of and why than on what they were opposed to. While there was agreement that liberalism was important, there was not agreement on the foundations of a liberal order, or on the fundamental reasons for its importance. In terms of means and ends, their lack of consensus on these foundational issues meant that their focus shifted from discussions of the ends which liberalism furthered to the means of furthering liberalism. Those assembled at Mont Pelerin were united in opposition to communism and socialism. They were united in favor of personal liberty and the prosperity that would result from competitive capitalism. But they were not of one mind about the purpose that liberalism served; the end to which a liberal order is directed. For that matter, they were not united

¹ Eucken, Professor of Economics, University of Freiburg; Gideonse, President, Brooklyn College; Hazlett, American journalist; Iverson, Professor of Economics, University of Copenhagen [?]; Jewkes, Professor of Economics, University of Oxford.

on the purpose of prosperity. To illustrate their failure to come to terms with the ultimate goal of a liberal order we will examine the two versions of the statement of aims that were considered at Mont Pelerin, along with contemporaneous writings of Hayek and three other charter members of the Mont Pelerin Society. Our selection of the three -- Wilhelm Röpke, Frank H. Knight, and Milton Friedman -- is based on their views of the roles of religion (ends) and of science (means) in the task of rebuilding liberalism. This survey will reveal the boundaries of the “ideals and broad conceptions held in common” at Mont Pelerin.

Hayek’s Vision and the Mont Pelerin Conference

In his *History of the Mont Pelerin Society* Max Hartwell suggests that the reason the statement of aims drafted by the committee fell short of adoption may have been either that it was too uncompromising and overly specific or that it was too long and diffuse (Hartwell 1995) (p.40). The committee’s version, however, is not longer by much than the Robbins’s second draft, and at first glance is not substantially different in content.

We begin with a look at Robbins’s statement of aims, the one that was adopted. It opens by identifying “the crisis of our times.”

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. In others they are under constant menace from the development of current tendencies of policy. The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power. Even the most precious possession of Western Man, freedom of thought and expression, is threatened by the spread of creeds which, claiming the privilege of tolerance when in the position of a minority, seek only to establish a position of power in which they can suppress and obliterate all views but their own” (Hartwell 1995). (p. 41).

Robbin's statement identifies causes of the crisis: "the growth of a view of history which denies all absolute moral standards"; "the growth of theories which question the desirability of the rule of law"; and "a decline of belief in private property and the competitive market" (Hartwell 1995) (41). Having identified the crisis and its causes, the statement lists areas for which further study is needed in order to counter illiberal ideology. These are:

1. Analysis and explanation of the nature of the present crisis so as to bring home to others its essential moral and economic origins.
2. Redefinition of the functions of the state so as to distinguish more clearly between the totalitarian and the liberal order.
3. Methods of reestablishing the rule of law and of assuring its development in such a manner that individuals and groups are not in a position to encroach upon the freedom of others and private rights are not allowed to become a basis of predatory power.
4. The possibility of establishing minimum standards by means not inimical to initiative and the functioning of the market.
5. Methods of combating the misuse of history for the furtherance of creeds hostile to liberty.
6. The problem of the creation of an international order conducive to the safeguarding of peace and liberty and permitting the establishment of harmonious international economic relations (Hartwell 1995) (41-2).

Following this list of areas for further study the statement concludes with a disclaimer of interest in establishing a liberal orthodoxy or in aligning with any particular political party.

Where Robbins's statement begins with a description of the "crisis of our times," the first draft, the one that was not adopted, opens with a statement of purpose for the assembly: "to discuss the foundations for the preservation of a free society," and lists a set of ten convictions shared by those present. These are:

1. Individual freedom can be preserved only in a society in which an effective competitive market is the main agency for the direction of economic activity.

2. The freedom of the consumer in choosing what he shall buy, the freedom of the producer in choosing what he shall make, and the freedom of the worker in choosing his occupation and his place of employment, are essential not merely for the sake of freedom itself, but for efficiency in production.
3. All rational men believe in planning for the future. But this involves the right of each individual to plan his own life.
4. The decline in competitive markets and the movement toward totalitarian control of society are not inevitable. They are the result mainly of mistaken beliefs about the appropriate means for securing a free and prosperous society and of the policies based on these beliefs.
5. The preservation of an effective competitive order depends upon a proper legal and institutional framework.
6. As far as possible government activity should be limited by the rule of law. Government action can be made predictable only when it is bound by fixed rules.
7. The changes in current opinion which are responsible for the trend toward totalitarianism are not confined to economic doctrines. They are part of a movement of ideas which find expression also in the field of morals and philosophy and in the interpretation of history. Those who wish to resist the encroachments on individual liberty must direct their attention to these wide areas as well as to those in the strictly economic field.
8. Any free society presupposes, in particular, a widely accepted moral code. The principles of this moral code should govern collective no less than private action.
9. Among the most dangerous of the intellectual errors which lead to the destruction of a free society is the historical fatalism which believes in our power to discover laws of historical development which we must obey, and the historical relativism which denies all absolute moral standards and tends to justify any political means by the purposes at which it aims.
10. Political pressures have brought new and serious threats to the freedom of thought and science. Complete intellectual freedom is so essential to the fulfillment of all our aims that no consideration of social expediency must ever be allowed to impair it (Hartwell 1995) (49-50).

Much of Robbins's draft is simply rearrangement of the contents of the statement drafted by the committee. He took several items from the list of ten "shared convictions" and placed them in preamble paragraphs before the list of six "areas for study." This rearrangement, truncation of the list, and conversion of "shared convictions" to "areas for study" may be what led Hartwell to suggest that the Robbins draft was less uncompromising and specific. The first six of the ten "shared convictions" in the first draft concerned economic and legal issues. They were followed by four moral and philosophical convictions. Robbins also changed the opening sentence of the statement from "A group of students of society met at Mont Pelerin ... to discuss the foundations for the preservation of a free society" to "A group of economists, historians, philosophers and other students of public affairs from Europe and the United States met at Mont Pelerin ... to discuss the crisis of our times." This is perhaps indicative of a shift in emphasis from questions of philosophical and moral foundations of liberalism to the more practical and strategic question of how to preserve the liberal order in a time of crisis.

In his opening remarks at the Mont Pelerin conference, before the two statements of aims were drafted, Hayek stressed the importance of discussion among people from diverse professional fields and places who held in common the values at the core of true liberalism.

The basic conviction which has guided me in my efforts is that, if the ideals which I believe unite us, and for which, in spite of so much abuse of the term, there is still no better name than liberal, are to have any chance of revival, a great intellectual task must be performed. This task involves both purging liberal theory of certain accidental accretions which have become attached to it in the course of time, and also facing up to some real problems which an over-simplified liberalism has shirked or which have become apparent only since it has turned into a somewhat stationary and rigid creed (Hayek 1967 (1947)) (149).

He proposed three discussion topics that might have generated discussion of fundamental principles: the relation between "free enterprise" and a competitive order; the interpretation and teaching of history; and the relationship between

liberalism and Christianity. Two additional topics concerned practical applications of liberal principles: the future of Germany; and prospects for a European federation. Beyond these suggestions, Hayek left the bulk of the program to be determined during the ten conference days. It turned out that the mix of sessions at Mont Pelerin was weighted toward economics, reflecting the greater number of economists than historians and political philosophers who were in attendance. There were five sessions on economic topics, one on historiography and political education, and one session on liberalism and Christianity.

Hayek's interest in having a session on liberalism and Christianity came from his observation that German resistance to Hitler was concentrated among Catholics, and furthermore that in Europe and in America liberalism had become associated with an extreme and aggressive atheistic rationalism. The mixture of liberalism with atheistic rationalism led some non-religious liberals to embrace "scientific" socialism and nationalism. Hayek also thought that in Europe more so than in America, the association of liberalism with atheism repelled some religious believers who might have been liberals. These people were likely to find intellectual and spiritual succor in reactionary conservative groups.² Hayek told the audience that "I am convinced that unless this breach between true liberal and religious convictions can be healed there is no hope for a revival of liberal forces" (Hayek 1967 (1947)) (155).

In the mid-1940s, as Hayek conceived the plan to bring liberals together, he thought Europeans had lost their civilization. They had done so through intellectual and moral apostasy. Historians, for example, sought to turn history into a value-free scientific enterprise, but in practice let history become the servant of nationalistic pride and prejudices. Hayek wrote in *The Road to Serfdom* (1944) of the prophetic vision of Julien Benda's *Trahison des Clercs* (Benda 1927) (published in the U.S. as *The Treason of the Intellectuals*). He quoted Benda concerning the:

superstition of science held to be competent in all domains, including that of morality; a superstition which, I repeat, is an acquisition of the

² e.g., Action Française.

nineteenth century. It remains to discover whether those who brandish this doctrine believe in it or whether they simply want to give the prestige of a scientific appearance to passions of their hearts, which they perfectly know are nothing but passions. It is to be noted that the dogma that history is obedient to scientific laws is preached especially by partisans of arbitrary authority (Hayek 1944) (191).

Hayek found an example of the treason of the intellectuals in J. G. Crowther's *The Social Relations of Science* (Crowther 1941), in which, according to Hayek, there is a "hatred of almost everything which distinguishes Western civilization since the Renaissance, ... combined with an approval of the methods of Inquisition" (Hayek 1944) (192). "This view," wrote Hayek, "is, of course, practically indistinguishable from the views which led the Nazis to the persecution of men of science, the burning of scientific books, and the systematic eradication of the intelligentsia of the subjected people" (Hayek 1944) (164). [check Crowther]

In 1944, the same year that *The Road to Serfdom* was published, Hayek read a paper on "Historians and the Future of Europe" to the Political Society at King's College, Cambridge. His thesis was that the future of Europe hinged on the future of post-war Germany, and that Germany's future depended on whether historians (by which he meant students of society past or present) served the cause of truth or the cause of nationalistic passions:

The best we can hope, and all we from the outside can usefully work for, is that the history which is to influence the course of German opinions will be written in a sincere effort to find out the truth, subservient to no authority, no nation, race or class. History must above all cease to be an instrument of national policy.

The most difficult thing to re-create in Germany will be the belief in the existence of an objective truth, of the possibility of a history which is not written in the service of a particular interest (Hayek 1967 (1944)) (140).

Germans had been tragically disserved by historians who thought it outside their province to make moral judgments, who restricted their efforts to "explanation." "It was these

scientific historians as much as their political colleagues who inculcated the Germans with the belief that political acts cannot be measured by moral standards, and even that the ends justify the means” (Hayek 1967 (1944)) (141).

By contrast with “scientific history” Hayek offered Lord John Acton as the model historian. He saw Acton as the last of the great “whig historians,” who understood that moral values are not incompatible with pursuit of the truth. A program to unite Germans with Englishmen in moral and political values conducive to a liberal society, thought Hayek, might be built around the person of Acton – an Acton Society. Acton was attractive for this purpose because he was an Englishman who was educated and trained in Germany and because he was a devout Catholic, but a Catholic who did not hesitate to criticize the Church. Catholicism, Hayek thought, was important to restoration of German civilization because it was among German Catholics that opposition to National Socialism was concentrated.

More important even it is that among the real opposition to Hitler in Germany the Catholics have played such an important part that no organization which, without being itself Roman Catholic, is not at least of such a character as to make it possible for a devout Catholic to collaborate, can hope to gain influence among the great middle groups upon which the success of its efforts will so much depend (Hayek 1967 (1944))(143).

Hayek suggested that if one were to identify a liberal society with others in addition to Acton, the Swiss historian Jakob Burckhardt and Frenchman Alex de Tocqueville would fit the bill. These three, according to Hayek, “continued the tradition of the great political philosopher who, as Acton said, ‘at his best was England at its best’ – Edmund Burke” (Hayek 1967 (1944)) (144).

To illustrate Acton’s commitment to truth and moral standards Hayek quoted from his letter to Bishop Mandell Creighton³ (1887) that includes the famous line about the corrupting influence of power.

If there is any presumption, it is the other way, against the holders of power, increasing as the power increases. Historic responsibility has to

³ Mandell Creighton was an Anglican clergyman and bishop. In 1884 he was elected to the newly created Dixie Professorship of Ecclesiastical History at the University of Cambridge.

make up for the want of legal responsibility. Power tends to corrupt and absolute power tends to corrupt absolutely. Great men are almost always bad men, even when they exercise influence and not authority, still more when you super-add the tendency or certainty of corruption by authority. There is no worse heresy than the office sanctifies the holder of it. That is the point at which the negation of Catholicism and the negation of Liberalism meet and keep high festival. ... The inflexible integrity of the moral code is to me, the secret of the authority, the dignity, the utility of history” (Hayek 1967 (1944)) (145).

The Mont Pelerin conference session on liberalism and Christianity was chaired by economist Walter Eucken, a German Catholic, with opening remarks by American agnostic and anti-Catholic Frank H. Knight, also an economist. The records of this session are not available. However, Hartwell (Hartwell 1995) reports that two decades later, in planning for the 1967 meeting at Vichy, France, Bruno Leoni and Arthur Shenfield were keen to have a session on the relationship between religion and liberty. (Neither Leoni nor Shenfield had attended the Mont Pelerin meeting in 1947.) The Society had avoided this topic, notes Hartwell, “since Knight had so vigorously debunked religion at the 1947 meeting” (Hartwell 1995) (148).⁴

But with attention to their other writings, we can identify the types of arguments that would have been aired at the 1947 session. Clearly, Hayek was of the opinion that liberalism needed to be rebuilt from the ground up in order to present an effective counter to the intellectual currents that had brought Western Civilization to the “crisis of our times.” The new liberalism would have to be built on sound moral and philosophical underpinnings. Historically liberalism had been based on Christian humanism. Though Hayek was a religious skeptic, he understood Christianity’s role in the formation of a culture of liberalism, and he understood the inadequacy of science as a replacement for religion in support of liberal institutions.

⁴ The liberty and religion session that Leoni and Shenfield proposed did not make the program for Vichy. Shenfield gave a paper on “Fundamental Constitutional Problems” in a session on the same topic. Leoni was elected President at Vichy, but was murdered two months afterwards by a disgruntled employee.

Other liberals who shared Hayek's concern over the moral and philosophical foundations of liberalism viewed Christianity as being even more essential than Hayek thought. Eucken, who chaired the session, thought that Christianity was compatible with competitive capitalism. Economist William A. Orton had been invited to Mont Pelerin but declined due to teaching responsibilities.⁵ His 1945 book, *The Liberal Tradition: A Study of the Social and Spiritual Conditions of Freedom*, gives an extensive analysis of the necessary connection between liberalism and Christianity. Economist Wilhelm Röpke held similar views to Orton's with respect to the need for liberalism to recover its Christian humanism. Frank Knight agreed that moral and philosophical foundations were necessary. Knight also shared Hayek's understanding of the inadequacy of science to replace religion as the basis of liberalism. However, Knight was a religious skeptic whose understanding of the role of religion in Western Civilization was much darker than Röpke's (or Orton's) and darker than Hayek's as well. So, if we were to place the various views on the importance of Christian religious values to liberalism on a spectrum, Frank Knight would be at one extreme with Röpke on the other. In between would be someone like Milton Friedman. He represents the role of the liberal as social scientist; someone who is neutral if not indifferent to the question of religion and liberalism. Not being of a particularly philosophical bent, Friedman saw the hope for liberalism in better social science and social science education.

Wilhelm Röpke

Wilhelm Röpke was, with Walter Eucken, one of the founders of the German Ordoliberalism. Röpke was the second President of the Mont Pelerin Society, replacing Hayek in 1960. He resigned from the Society in December 1961, citing ill health, but also in the middle of a bitter internal dispute known as the Hunold Affair.⁶ Röpke wrote

⁵ Orton was among the charter members of the Mont Pelerin Society upon incorporation. See Hartwell 1995, p. 51.

⁶ See Hartwell, chapter 6.

several books on the crisis of European civilization in the years just before and after the first Mont Pelerin meeting. The first chapter of Röpke's *A Humane Economy* (Röpke 1971 (1960)) is a retrospective on the problems addressed in several of these works.⁷ Röpke had some difficulty identifying his political ideology. What his ideology was not, was clearer to him than what it was. Along with his Mont Pelerin compatriots, Röpke was certain that he was not a socialist. But he did not think his opposition to socialism necessarily made him a liberal. He asked, "where does a man of my kind take his stand if he is to attack socialism because he believes it to be wrong?" (Röpke 1971 (1960)) (3). He concluded that he was a liberal with regard to social technique – believing in free cooperation through private property and markets and opposing central planning. That is, he favored a liberal economic order. But the reason for this preference was not that a liberal economic order was more productive than central planning. Röpke's preference was based on humanistic social philosophy principles that he believed were more important than material productivity. He thought a liberal market order was compatible and socialism incompatible with these principles. But these same humanistic principles left Röpke less than fully comfortable being identified as a liberal.

The true reason [for my preference for a liberal economic order] lies deeper, in those levels where each man's social philosophy is rooted. And here I am not at all sure that I do not belong to the conservative rather than the liberal camp, in so far as I dissociate myself from certain principles of social philosophy which, over long stretches of the history of thought, rested on common foundations with liberalism and socialism, or at least accompanied them. I have in mind such "isms" as utilitarianism, progressivism, secularism, rationalism, optimism, and what Eric Voegelin aptly calls "immanentism" or "social gnosticism." (Röpke 1971 (1960)) (3-4).

The "isms" shared by socialism and certain strands of liberalism were antithetical to Röpke's humanism. He thought they tended toward totalitarianism. The key historical manifestation of liberalism become totalitarianism was the Jacobinism of the French

⁷ *Civitas Humana* (1944), *Mass und Mitte* (1950), *The Social Crisis of Our Time* (1950), and *Internationale Ordnung -- Heute* (1954).

Revolution. Röpke viewed this type of venture in mass democracy as the enemy of humanism.

As far as I myself am concerned, what I reject in socialism is a philosophy which, any “liberal” phraseology it may use notwithstanding, places too little emphasis on man, his nature, and his personality and which, at least in its enthusiasm for anything that may be described as organization, concentration, management, and administrative machinery, makes light of the danger that all this may lead to the sacrifice of freedom in the plain and tragic sense exemplified by the totalitarian state. My picture of man is fashioned by the spiritual heritage of classical and Christian tradition. I see in man the likeness of God; I am profoundly convinced that it is an appalling sin to reduce man to a means (even in the name of high-sounding phrases) and that each man’s soul is something unique, irreplaceable, priceless, in comparison with which all other things are as naught. I am attached to a humanism which regards man as the child and image of God, but not as God himself, to be idolized as he is by the hubris of a false and atheist humanism. These, I believe, are the reasons why I so greatly distrust all forms of collectivism (Röpke 1971 (1960)) (4-5).

So for Röpke a liberal economic order was not an end in itself, but a means to a higher end – “a higher order of things which is not ruled by supply and demand, free prices, and competition” (Röpke 1971 (1960)) (6) – the realm of human nature fashioned by God in His image. The cure for the crisis of modern civilization would not be found in any system or set of institutions. For the crisis was not a crisis of social mechanisms, but of the human soul.

This brings me to the very center of my convictions, which, I hope, I share with many others. I have always been reluctant to talk about it because I am not one to air my religious views in public, but let me say it here quite plainly: the ultimate source of our civilization’s disease is the spiritual and religious crisis which has overtaken all of us and which each must master for himself. Above all, man is *Homo religiosus*, and yet we have, for the past century, made the desperate attempt to get along without God, and in

the place of God we have set up the cult of man, his profane or even ungodly science and art, his technical achievements, and his State. We may be certain that some day the whole world will come to see, in a blinding flash, what is now clear to only a few, namely, that this desperate attempt has created a situation in which man cannot live at all for any length of time, in spite of television and speedways and holiday trips and comfortable apartments. We seem to have proved the existence of God in yet another way: by the practical consequences of His presumed non-existence (Röpke 1971 (1960)) (8).

Röpke may have thought that solutions to the crisis were not to be found in institutional change, but he did not think that institutions were without importance. Institutions could have effects on the human soul. He worried specifically that modern industrial and urban life contributed to a presumption that it was within man's power to make and alter anything, including himself. Cut off from nature and human nature, modern man substituted in place of God social religions -- socialism, communism, and nationalism.

Röpke's *Humane Economy* includes a chapter on "the conditions and limits of the market." The danger for economists, a danger shared with other specialists, was narrowing their vision to the confines of their discipline and treating all of social life as nothing more than a web of market exchanges. By falling prey to social rationalism economists would, unknowingly perhaps, ally themselves with the socialists. The antidote for this was self-restraint, keeping uppermost in ones mind that markets are always embedded in social structures and moral and spiritual settings. Among the social structures that can fall out of sight not only for socialist planners but also for "circular-flow technicians" is the important role of private property. Private property is essential to a healthy society not just because it allows exchange to occur, but for a deeper purpose.

The true role of ownership can be appreciated only if we look upon it as representative of something far beyond what is visible and measurable. Ownership illustrates that the market economy is a form of economic order belonging to a particular philosophy of life and to a particular social and moral universe. ... In all honesty, we have to admit that the market economy has a bourgeois foundation. This needs to be stressed all the

more because the romantic and socialist reaction against everything bourgeois has, for generations past, been astonishingly successful in turning the concept into a parody of itself from which it is very difficult to get away. ... This implies the existence of a society in which certain fundamentals are respected and color the whole network of social relations: individual effort and responsibility, absolute norms and values, independence based on ownership, prudence and daring, calculating and saving, responsibility for planning one's own life, proper coherence with the community, family feeling, a sense of tradition and the succession of generations combined with an open-minded view of the past and the future, proper tension between the individual and community, firm moral discipline, respect for the value of money, the courage to grapple on one's own with life and its uncertainties, a sense of the natural order of things, and a firm scale of values. Whoever turns up his nose at these things or suspects them of being "reactionary" may in all seriousness be asked what scale of values and what ideals he intends to defend against Communism without having to borrow from it (Röpke 1971 (1960)) (98).

So for Röpke the most important role of a liberal economic order was serving as a means to the higher, non-material end of fulfilling man's God-given potential as a human being.

Frank H. Knight

Frank Knight, University of Chicago price theorist and historian of economics, believed passionately that liberalism and religion were incompatible. Knight was raised in a conservative Disciples of Christ family in rural Illinois, and attended two Disciples of Christ colleges. But Knight rejected his family's Christian faith as a young boy.⁸ His opposition to organized religion became as strong as his commitment to liberalism. The

⁸ On Knight's religious background see Buchanan, J. M. (1991). Frank H. Knight: 1885-1972. In Remembering the University of Chicago: Teachers, Scientists, and Scholars. E. Shils. Chicago, University of Chicago Press: 244-52. and Emmett, R. (2007). The Religion of a Skeptic: Frank H. Knight on Ethics, Spirituality and Religion During His Iowa Years.

core principle of liberalism for him was free discussion. For discussion to be free there must not be an imbalance of power between parties to the discussion and there must not be any premise imposed on the discussion from the beginning. Everything regarding the issue at hand must be open to the application of reason. Liberalism, for Knight, boils down to the free use of reason by individuals regarding all matters. This is why Knight thought liberalism was incompatible with religion. Religion is based on authority, ultimately on the authority of God, and proximately on the authority of those to whom God delegates His authority, i.e., priests and ministers. Knight did not believe in God. Therefore he believed that every god and the religion of every god were nothing more than human constructs. Since in any religion some questions have already been answered, and therefore closed, religion is inherently illiberal. The more universal the religion and the more omnipotent and omniscient the god, the less room there is for the liberal ideal of free discussion among equals.

Knight thought that all religions were backward looking, their adherents looking back to revealed truth and to an ideal state in the past. Liberalism, on the other hand, looks ahead in the never ending pursuit of truth. Where religion is inherently conservative and retrogressive, liberalism is progressive. Liberals also view history as progressive, with potential for progress stretching indefinitely into the future. The mechanism for progress is pursuit of truth via free and open discussion and problem solving.

The religious mode of belief is defined by the fact that the critical attitude toward serious matters is sinful. This view of truth means in practice that for any individual, whether priest or ordinary citizen, truth is a matter of cultural inheritance. ... In our own tradition, intolerance is integral to religious belief, as it must be, to some degree, in a religion claiming universality.

In the liberal view of life, all this is of course reversed. To begin with, liberalism repudiates the idea that any truth is final or absolute; all concrete beliefs are in varying degree subject to reinterpretation, revision and eventual rejection and replacement, in the light of new knowledge or insight. Truth is an ideal rather than a reality, something never possessed but to be approached by criticism and critically directed effort. ... The

liberal view makes truth inherently dynamic and progressive (Knight and Merriam 1945) (59).

We do not have a record of Knight's remarks in the session on liberalism and Christianity at the Mont Pelerin meeting. But there may be a proxy for these remarks in his 1947 review of William A. Orton's *The Liberal Tradition* (Knight 1947). Orton, an Englishman and Anglo-Catholic who taught at Smith College, wrote in response to Hayek's invitation that he agreed with the idea of using Lord Acton as the base for the liberal initiative. He suggested two topics for discussion at the conference: the relation between liberalism and democracy, especially with regard to American ideas of democracy, and the conflict between free-trade internationalism and restoration of rural life in England, Hungary and other European counties. The latter, he suggested, was a conflict between economic and cultural criteria of the good life (Orton 1947).

Orton's book was a historically oriented effort to identify the fundamental principles of liberalism, written largely in response to the 20th century's rise of nationalism and two world wars (the same issues giving rise to the Mont Pelerin meeting). Orton suggested that the core of liberalism was in the classical Greek (Aristotelian) and Christian synthesis that produced the idea of free individual persons within community.

Liberty without community, community without liberty, each is subhuman. The core of the liberal creed (it was the supreme insight of the Greeks) is that in a true community the members are truly free. Community is a working consensus of free minds and free wills in which the individual lives spontaneously, taking and giving much or little, but of his own accord: as in true family, a true friendship, a true cooperation (Orton 1945) (19).

Orton found the source of genuine community in Christian precepts of natural law and the Incarnation, and in particular in the universalism of Catholic Christianity.

For between power and authority there is the same sort of distinction as was later to be recognized between possession and property. While power may reside in persons or groups of persons, authority does not. Persons may temporarily be able, rightly or wrongly, to coerce other persons; but authority does not inhere in human beings. ... So rulers and leaders of

men, desiring a stable basis for social order, are impelled to seek the sanction of something beyond the act of will, beyond local considerations of interest or expediency.

For a thousand years all Europe sought that sanction in the Catholic church; and in those parts of the world which eventually rejected that authority, appeal was made to one of two – as it were, fragmentary – substitutes: either to state establishments that retained a church but dropped the catholicity, or to declarations of rights that retained the catholicity (in theory at least) but dropped the church. Each had its limitations; and the two halves failed to make a whole (Orton 1945) (59-60).

Whereas Orton identified the core of liberalism in universal Catholic Christianity, and its breakup a threat to liberalism, Knight saw universal Catholic Christianity as totalitarian and its breakup as liberating.

What history seems to show is that the multiplication of fanaticisms was the only way in which Europe could free itself from the Semitic-Asiatic tradition of one sole creed and church for salvation, hence naturally to be maintained and propagated without regard to means or cost. Why anyone should want to go back – to the Dark Age, the Crusades, the days of schism and councils and Inquisition, or the Reformation and wars of religion – is a mystery indeed (Knight 1947) (200-201).

Knight came close to suggesting that Orton was himself a totalitarian wolf dressed up in sheep's clothing of "Christian liberalism."

What he is finally advocating, the only position which makes sense out of his general argument is a world-wide church-state or superchurch-superstate, instructing and commanding every individual and every voluntary, cultural, institutional, political, or other group as to the right thing to do and to think whether in the name of God or the folk or the workers. Just let everyone, from Spitzenbergen to Tierra del Fuego, join the author's church, and bring up his children under the direction of its priests, in unquestioning "faith," loyalty, and obedience, and all the

world's problems will be solved. It might be as simple as that – or as forcing all to join up who proved too selfish, opinionated, or obstinate to do so voluntarily. However, for reasons that perhaps are not too hard to guess, the author does not state this argument explicitly (Knight 1947) (205).

Compare this assessment by Knight of a purported “fellow liberal” with the passage from the Mont Pelerin statement of aims as adopted:

The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power. Even the most precious possession of Western Man, freedom of thought and expression, is threatened by the spread of creeds which, claiming the privilege of tolerance when in the position of a minority, seek only to establish a position of power in which they can suppress and obliterate all views but their own” (Hartwell 1995). (p. 41).

To Frank Knight anyone who sought liberal values in organized religion was sorely misguided. Christianity, no less than Nazism and Communism, tended to suppress all views but its own, once it rose to a position of power.

Milton Friedman

Milton Friedman was one of four editors of the collection of Frank Knight's papers published as *The Ethics of Competition* in 1935 (Knight 1935). But Friedman's professional focus before Mont Pelerin was far removed from Knight's concerns with history of economics and social philosophy. Friedman's interests were technical economics and statistics. There is no evidence that he had an articulated political philosophy prior to 1947. His view of both economics and statistics was that they were sciences, with science conceived in a loosely positivistic manner. The role of the economic or statistical scientist was to provide technical expertise for solving social problems. Friedman's first job out of graduate school in 1935 was designing consumer surveys for a New Deal agency, the National Resources Committee. In 1937 he moved to New York and the National Bureau of Economic Research. His work there was

constructing data on income and wealth of professionals. While on the National Bureau staff Friedman taught part-time at Columbia University. He left New York for the University of Wisconsin in 1940 to teach business cycles and statistics. After a year at Wisconsin, he returned to Washington and joined the war effort at the U.S. Treasury, working on the design of fiscal policy. In 1943 Friedman moved to New York again and to his role as statistician, this time working for the U.S. Department of War in the Statistical Research Group.

So other than helping Homer Jones, George Stigler, and Alan Wallis edit *The Ethics of Competition* Friedman published nothing that would indicate an affinity for classical liberalism until he collaborated with George Stigler on *Roofs of Ceilings: The Current Housing Problem (Friedman and Stigler 1946)*. He and Stigler wrote this piece while together at the University of Minnesota in the spring of 1946, a year before the Mont Pelerin meeting. Stigler had written his doctoral dissertation under Knight's direction. It is likely that the formation of Friedman's liberal ideology began in the office he shared with Stigler at Minnesota, and was nurtured by his experience at Mont Pelerin with Stigler, Knight, and his brother-in-law, Aaron Director. Friedman's invitation to the Mont Pelerin meeting was most likely due to Director, a close friend of Hayek.⁹

Friedman was religious during his childhood until shortly after his Bar Mitzvah (Hammond 2007). As a teenager he abandoned the Jewish faith and appears to have lived the rest of his life without any religion. Unlike Frank Knight, Friedman's childhood within a religious community left no emotional wounds.¹⁰ He seems to have been neither appreciative nor wary of religion's effects of society. When Friedman sailed to Europe for the Mont Pelerin meeting he was an economic and statistical scientist. Afterward he retained his core identity as a scientist. But he became a scientist with a classical liberal ideology. Unlike Röpke, whose liberalism was grounded in classical philosophy and religion, Friedman's was cut from the cloth of economics. His was in the traditions of the

⁹ Stigler wrote to Friedman in late 1946, "A junket to Switzerland in April is contemplated, to save liberalism. I assume you & Aaron would go. If this comes off, (1) train Aaron on bridge, and (2) let's find a fourth liberal; and teach him." Hammond, J. D. and C. H. Hammond (2006). *Making Chicago Price Theory: Friedman-Stigler Correspondence 1945-1957*. Abington, U.K. and New York, Routledge., p. 49.

¹⁰ On Friedman's religious background see Hammond, J. D. (2007). *Transcendental Commitments of Economists: Friedman, Knight, and Nef. and Friedman, M. and R. D. Friedman (1998). Two Lucky People: Memoirs*. Chicago, University of Chicago Press.

Benthamites and Manchester school – traditions that stressed the virtues of markets, free-trade, and small and decentralized government.

That Friedman had no animus toward religion can be seen in his half-century-long advocacy for education vouchers. He wrote in 1955 that he understood the concern expressed by supporters of public education that widespread enrollment in parochial schools might impede formation of common values across religious groups.

But it is by no means clear either that it is valid or that the denationalizing of education would have the effects suggested. On grounds of principle, it conflicts with the preservation of freedom itself; indeed, this conflict was a major factor retarding the development of state education in England. How [to] draw a line between providing for the common social values required for a stable society on the one hand, and indoctrination inhibiting freedom of thought and belief on the other? Here is another of those vague boundaries that it is easier to mention than to define (Friedman 1955) (?).

Twenty years later, in 1975, Friedman defended the right of citizens to use funds received from government for religious purposes, including religious schooling.

Under the G.I. Bill, veterans are free to attend Catholic or other religious colleges, and, so far as I know, no First-Amendment issue has ever been raised. Recipients of Social Security and welfare payments are free to contribute to churches from their government subsidies, with no First Amendment question being asked.

Indeed, I believe that the penalty now imposed on parents who do not send their children to public schools produces a real violation of the spirit of the First Amendment, whatever lawyers and judges may decide about the letter. The penalty abridges the religious freedom of parents who do not accept the liberal humanistic religion of the public schools, yet, because of the penalty, are impelled to send their children to public schools (Friedman 1975) (?).

Rose Friedman says of her husband that after he lost his faith he became “fanatically antireligious” (Friedman and Friedman 1998)(23). But if this was so,

it was entirely a personal matter for Friedman. The written evidence is that he viewed religion as an entirely private matter, neither essential nor hostile to the formation of communities of free persons.

Conclusion

The preponderance of Mont Pelerin Society sessions on economics rather than history, religion, culture and political philosophy continued beyond the 1947 meeting. At the second meeting in 1949 Walter Eucken chaired a session on “the proletarianized society,” with Röpke as the speaker. The other sessions were more strictly economic: “trade unionism and the price system,” “labor and management,” “the demand for social security,” “the unemployed and the unemployable,” and “the relation of the state to education and research.” Through the 1950s the sessions not strictly on economics tended to be chaired and manned by a group of people that included Röpke, Eucken, H.D. Gideonse, and Alexander Rüstow. Gideonse chaired a session on “cultural and ideological aspects of capitalism and socialism” at the 1950 meeting in Bloemendaal, the Netherlands, with Röpke making a presentation on “progressive ideologies.” In another 1950 session Gideonse presented on “the moral basis of academic freedom,” and in 1957 he chaired a session on “the meaning of liberty and the philosophical basis of liberalism.” In 1953 Röpke presented on “social presuppositions of the market economy.” He and Rüstow presented on ‘front-lines of freedom’ and “human rights or human duties” at the 1960 meeting in Kassel, Germany. Most of the presentations in the 1950s, however, were on topics such as “monetary and fiscal policy,” “the nature and functions of profits,” “progressive taxation,” “trade union legislation,” and “inflation.”

This may have been because economic science could be brought to bear on questions of the price system and the effects of public policies, but not on foundational questions about rights and obligations, community, and morals. Science could not resolve the question of what it meant to be a liberal or why being a liberal mattered, beyond the material benefits from rule of law and free markets. Yet the philosophical questions that economics could not answer continued to hang over the Mont Pelerin Society. Hayek himself was hard pressed to identify his personal ideology in regard to the categories on offer by the intellectual world in the mid twentieth century. In the conventional

nomenclature he was not a socialist, for sure, but he was also not a progressive. He said at Mont Pelerin that for better or worse he was a liberal, but he was aware that this label placed him among unwanted company.

Hayek grappled with this problem of identifying and naming the political philosophy that he had hoped the group assembled at Mont Pelerin would embrace in his 1957 presidential address to the Society. His title was “Why I Am Not a Conservative.” Hayek explained that the essential attribute of adherents of his philosophy was to be a friend of freedom. In the current political milieu those who were friends of freedom found themselves allied with conservatives. Thus Hayek’s felt need to distinguish his creed from conservatism. Friends of freedom were forward-looking optimists; conservatives were backward-looking pessimists. Friends of freedom were wary of authority; conservatives were fond of it. Friends of freedom were people of principle; conservatives were opportunists. Friends of freedom were internationalists; conservatives tended to be nationalists.

For Hayek even the label “liberal” had been tainted through its adoption by American radicals and socialists. Neither they nor most people who thought of themselves as progressives were friends of freedom. “What I should want is a word which describes the party of life, the party that favors free growth and spontaneous evolution. But I have racked my brain unsuccessfully to find a descriptive term which commends itself” (Hayek 1960) (408). He regarded the apogee of his favored type of liberalism of the eighteenth century English Whigs and James Madison, primary author of the United States Constitution. “Whiggism is historically the correct name for the ideas in which I believe. The more I learn about the evolution of ideas, the more I have become aware that I am simply an unrepentant Old Whig – with the stress on the ‘old’” (Hayek 1960) (409).

Wilhelm Röpke, as President of the Mont Pelerin Society, delivered opening remarks at the Turin, Italy meeting in September 1961, less than a month after East Berlin was sealed off from the West by the Soviets and GDR. Röpke referred to the communist threat there, and in Italy where it appeared that communists might come to power through democratic election, as satanic. He asked, somewhat rhetorically, how Europe could have gotten in such a situation.

It may dawn upon us now that we may live to see once more confirmed a great truth of human history, namely that suicide, not murder is the normal form of death of a cultural system. It is not the strength of the barbarians but the weakness, moral and intellectual, of the civilized which is usually their undoing (Röpke 1962)(8).

Röpke urged that the main task of the Mont Pelerin Society was to combat moral and intellectual confusion, and a failure of will in Western democracies. He could not claim with confidence that the Society has been true to this task. It is clear that Röpke was criticizing the Society's heavy reliance on social science in rebuilding liberalism.

Let us get to work, not in the ivory tower of scientific aloofness and relativism, but keeping in mind that we are menaced by an avalanche which would bury also science itself ... And let us avoid the mental disease of so many intellectuals who have forgotten another word of wisdom, also due to [Georg Christoph] Lichtenbeg: 'One has to believe in certain ultimate values because it would be absurd not to believe in them' (Röpke 1962) (10).

Our examination of the ideas that were brought to Mont Pelerin by a selection of those assembled in 1947 reveals a clash of intellectual cultures. There was unity in opposition of the totalitarianism of Nazi Germany and Communist Russia, and unity in commitment to personal freedom. But there was no common underlying philosophy on which could be built a party of freedom. Whatever hopes Hayek entertained prior to Mont Pelerin for an organized political force for freedom, his "party of life," remained largely unfulfilled. Economic science became the lingua franca of the Mont Pelerin Society. And economic science, no less than biological science or physical science, is neither friend nor enemy of freedom. It is merely a tool.

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