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Fighting for the Mantle of Science: The Epistemological Foundations of Neoliberalism, 1931-1951

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RÉSUMÉ

Cette thèse examine la genèse intellectuelle du néolibéralisme au prisme de son épistémologie. Elle interroge le développement de ses arguments concernant la production et la diffusion de la connaissance, guidée par l'hypothèse que la formulation d'une position épistémologique commune a été cruciale pour la consolidation de son programme idéologique. Je propose que le néolibéralisme, en provoquant une rupture avec le libéralisme classique, a opéré un recodage des principes libéraux à l'intérieur d'un cadre épistémologique basé sur le conventionnalisme, à l'aide de prémisses tirées des sciences naturelles, de la théorie économique, et de la philosophie des sciences. Afin d'obtenir un panorama contextuel de son émergence, cette thèse fournit une reconstruction des débats intellectuels des années 1930 en Angleterre sur deux plans principaux : le débat sur la planification de la science, et celui sur la planification de l'économie. Dans un climat propice aux idées planistes, perçues comme davantage rationnelles et scientifiques, les néolibéraux précoces s'attelèrent à montrer la portée limitée de la science positive pour orienter les décisions politiques. La montée du totalitarisme contribua à donner à leur discours une urgence singulière, puisqu'il expliquait le recours au collectivisme étatique par la prégnance d'opinions scientifiques erronées. Pendant la Seconde Guerre mondiale, la formation d'un réseau néolibéral déclencha une fertilisation croisée entre ces différents penseurs, dont l'agenda commun avait été défini au moment du Colloque Walter-Lippmann en 1938.

En développant leurs intuitions sur le fonctionnement interne de la science et de l'économie comme modèles de coopération libre, Michael Polanyi, Friedrich Hayek, Louis Rougier, Walter Lippmann, et Karl Popper, élaborèrent une théorie sociale cohérente, qui supportaient les idéaux libéraux sur de nouvelles bases épistémologiques. Pour eux, le désir de mener une politique « scientifique » relevait d'un aveuglement méthodologique issu d'une mécompréhension de la nature de la connaissance et du travail scientifique, ainsi que d'une conception disproportionnée de leur potentiel. En reliant de manière analogique la liberté scientifique, avec celle garantie par le marché ou la règle de droit, la position de la pensée et de la connaissance dans la société est devenue leur préoccupation principale. Ce recodage met en lumière la forme particulière de l'idéologie néolibérale : la compétition et les marchés sont redéfinis comme procédures de découverte, les traditions sont perçues comme des réservoirs de connaissance tacite, et les institutions sont conçues comme les préconditions et les résultats d'ordres spontanés. L'institutionnalisation de ce collectif de pensée fragmentaire lors de la fondation de la Société du Mont-Pèlerin en 1947 révéla à la fois l'ambition idéologique de ce projet et ses limites immédiates.

Mots-clés : épistémologie, Friedrich Hayek, histoire des sciences, idéologie, Louis Rougier, Michael Polanyi, néolibéralisme, Société du Mont-Pèlerin, sociologie de la connaissance, Walter Lippmann

ABSTRACT

This dissertation examines the intellectual genesis of neoliberalism through the prism of its epistemology. It interrogates the development of its arguments regarding the production and diffusion of knowledge, guided by the hypothesis that formulating a common epistemological stance was crucial for the consolidation of its ideological program. I propose that early neoliberalism, by provoking a rupture with classical liberalism, recoded liberal principles into an epistemological framework based on conventionalism, with premises drawn from the natural sciences, economic theory, and the philosophy of science. To achieve a contextual picture of its emergence, the dissertation provides a reconstruction of the intellectual debates of the 1930s in England on two major fronts: the debate on planning in science, and the debate on planning in the economy. Amidst a general enthusiasm for planning ideas perceived as being more rational and scientific, early neoliberals warned of the limited value of positive science in guiding policy decisions. The rise of totalitarianism gave their discourse a dramatic urgency as it explicitly linked faulty scientific views with the rise of state collectivism. During the Second World War, the formation of a neoliberal network triggered a cross-fertilization between these early neoliberal thinkers, whose common agenda had been defined at the Walter-Lippmann Colloquium in 1938.

Drawing from their intuitions about the inner workings of science and the economy held as models of free cooperation, Michael Polanyi, Friedrich Hayek, Louis Rougier, Walter Lippmann, and Karl Popper, cemented a coherent social theory which vindicated liberal ideals on new epistemological grounds. To them, the aspiration towards 'scientific' politics denoted a methodological delusion built on a misunderstanding of the nature of knowledge and of scientific work, as well as on a hubristic conception of their potential. By linking analogically the freedom experienced by the scientist, to the one guaranteed by the market or by the rule of law, the position of thought and knowledge in society became their core concern. Paying attention to this recoding process sheds light on the peculiar shape of neoliberal ideology: competition and markets were redefined as discovery procedures, traditions were seen as receptacles of tacit knowledge, and institutions were conceived as the preconditions and results of dynamic evolutionary orders. The institutionalization of this fragmentary thought collective at the foundation of the Mont-Pèlerin Society in 1947 revealed both the novelty of this project and its immediate limits, in particular the tensions between its scientific ambition and its ideological projection.

Key words: epistemology, Friedrich Hayek, history of science, ideology, Louis Rougier, Michael Polanyi, Mont-Pèlerin Society, neoliberalism, sociology of knowledge, Walter Lippmann

CONTENTS

LIST OF ABBREVIATIONS

A.Sc.W.	Association of Scientific Workers
BBC	British Broadcasting Corporation
BAAS	British Association for the Advancement of Science
CCF	Congress for Cultural Freedom
CIERL	*Centre International d'Études pour la Rénovation du Libéralisme*
CRD	Conservative Research Department
ICIC	International Committee for Intellectual Cooperation
IIIC	International Institute of Intellectual Cooperation
IUHÉI	*Institut Universitaire des Hautes Études Internationales*
LSE	London School of Economics
MPS	Mont-Pèlerin Society
PEP	Political and Economic Planning
SFS	Society for the Freedom in Science
SRS	Social Relations of Science
WLC	Walter-Lippmann Colloquium

LIST OF ARCHIVAL COLLECTIONS

Archives Rougier	Fonds Louis Rougier, Fondation Robert Laurent-Vibert, Château de Lourmarin.
Friedman Papers	Milton Friedman Papers, Hoover Institution Archives, Stanford University.
Hayek Papers	Friedrich A. von Hayek Papers, Hoover Institution Archives, Stanford University.
IACF Papers	The International Association for Cultural Freedom Records, Department of Special Collections, Joseph Regenstein Library, University of Chicago.
MPS Inventory	Inventory of the General Meeting Files of the Mont-Pèlerin Society, Liberaal Archief, Ghent.
MPS Papers	Mont-Pèlerin Society Records, Hoover Institution Archives, Stanford University.
Polanyi Papers	Michael Polanyi Papers, Department of Special Collections, Joseph Regenstein Library, University of Chicago.
Popper Papers	Sir Karl Raimund Popper Papers, Hoover Institution Archives, Stanford University.

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INTRODUCTION

> It is no part of my task to outline in detail a program for renascent liberalism. But the question of "what is to be done" cannot be ignored. Ideas must be organized, and this organization implies an organization of individuals who hold these ideas and whose faith is ready to translate itself into action. […] It is in organization for action that liberals are weak, and without this organization there is danger that democratic ideals may go by default. When its ideals are reinforced by those of scientific method and experimental intelligence, it cannot be that it is incapable of evoking discipline, ardor and organization.

Out of their context, these words spoken in 1935 calling for a renaissance of liberalism would be music to contemporary neoliberal ears: liberal ideas without method, and liberal organizations without faith would lead freedom to its demise. They would applaud a program of perpetual reform supported by dedicated societies, themselves united around the general creed of liberalism. They would warn that were these efforts be lacking, we would face the pitfalls of collectivism or authoritarianism, and that liberalism alone embodies a reformist and progressive agenda guided by the scientific method. That these lines were read by John Dewey in his lectures on *Liberalism and Social Action* (2008[1935], 64) in the midst of the Great Depression may raise one eyebrow or two from the most literate in the audience. But these passing thoughts would be quickly forgotten as neoliberalism marches forward towards its next world-crisis.

For the intellectual historian and political scientist however, these lines remain as striking an illustration as any of the context from which neoliberalism emerged from the 1930s on. In the

shadow of totalitarianism (Ciepley 2006), the doctrine of political and economic liberalism had entered a phase of "conceptual insecurity" (Schulz-Forberg 2014, 19): the progressive society which had been pledged at the end of the Great War then resembled a pipe dream. Expert opinion had swung away from free markets and free trade (Jackson 2010: 132), at a time when the mounting war preparation prompted a centralized organization of resources and a reinvigorated nationalism. Increasingly, intellectuals and public figures were drawn towards socialism, as it promised a fairer and more rational society, in which a scientific outlook and democratic principles were finally reconciled.

Rejecting the "sterile" alternative between Fascism or Communism, a fringe of scientists, intellectuals and politicians across the ideological spectrum willed to give a new lease of life to a reformed, renascent, or "neo-" liberalism. The disrepute of liberalism, they felt, had not been unwarranted. If the values of individual autonomy and social progress it carried were needed more than ever, the *method* to achieve these ideals was now obsolete: "mankind," observed Dewey in the same lecture, "now has in its possession a new method, that of cooperative and experimental science which expresses the method of intelligence" (Dewey 2008, 58). The salvation of liberalism laid neither in the reaffirmation of a hypothetical state of nature nor in the diktats of a rigid *laissez-faire*: the safety net of natural laws and historical invariants had to be discarded. Instead, progressive and liberal reformers of the 1930s all looked towards one unassailable source of progress and legitimacy, one which commanded public trust and respect: science—in particular, the natural sciences and their methods.

Historically, the development of science had accompanied the diffusion of liberalism, to such an extent that they came to be conflated in the minds of many. Bertrand Russell expressed a commonplace assumption when he said that the scientific outlook was "the intellectual counterpart of what is, in the practical sphere, the outlook of Liberalism" (Russell 1950[1946], 15-

16). To the "drift" in which old liberalism had embarked the world, Walter Lippmann opposed "mastery" (1914) which was embodied in the expanding scientific knowledge and expertise of his time: liberalism could be saved only if it swore allegiance to the scientific method. Meanwhile, intellectuals from the left simultaneously claimed that the course of history and scientific progress had proven right the Marxian theses of historical materialism: for them, the growth of science pointed firmly towards a future socialist society. The mantle of science had become a tug of war.

During the same period, whereas rival political ideologies competed to claim the authority of science, the foundations and methods of science themselves were being challenged from two different angles: sociology and epistemology. On the one hand, the production and results of science were subjected to historical and sociological inquiries, which questioned the ideals of neutrality and detachment—the "purity"—of scientific work. Historians and sociologists of science initiated a vast enterprise of excavation of the history of science, contextualizing the implicit norms and practices which had guided the direction of science and the efforts of individual scientists: the inventions of the Newtons, Faradays or Planks, they proclaimed, were not traits of their own genius but ultimately products of their time. They uncovered the intellectual, social and material causes to the progress of knowledge, embedding within their historical studies a normative viewpoint upon the position or "function" (Bernal 1939) of science within society. For the first time, it carried ideological suspicion directly within the making of science and the production of scientific truth.

On the other hand, a new epistemological outlook from the confined worlds of physics and mathematics was extended to philosophy and politics. Breakthroughs in relativity theory, quantum mechanics, and non-Euclidian geometry at the turn of the century, had in common an encounter with phenomena from premises which were counter-intuitive to a natural or rational picture of the world. Unshackling foundational axioms from fitting any "realist", "naturalist" or "*a*

priori" presuppositions unleashed extraordinary debates and ingenuity in the advancement of these disciplines. While scientists retreated from their pretension to describe the "real" world, their quest for new theories and conjectures, which combined methodological inventiveness and instrumental needs, became boundless.[1] Maybe cumulative scientific knowledge rose, as Karl Popper famously quipped, "above a swamp," but it proved ground solid enough for the tallest skyscrapers.

Critical or experimental conventionalism, originating in the works of Henri Poincaré, provided an unencumbered language which articulated together truth, discovery, progress, tradition, and order without the anchoring of metaphysics.[2] As a consequence, epistemology, history, and politics became inextricably linked. Hans-Jörg Rheinberger remarks that:

> "The previous orientation of finding and presenting the correct scientific method, which would be obligatory in all possible contexts, was replaced by a detailed interest in what scientists actually do in pursuit of their specific research. This gave rise to the question of whether scientists' actions, instead of following a timeless logic, were themselves subject to a historical development whose temporal course could be followed and whose particular conditions had to be ascertained. Historicization of epistemology thus means subjecting the theory of knowledge to an empirical-historical regime, grasping its object as itself historically variable, not based in some transcendental presupposition or a priori norm" (Rheinberger 2010, 3).

The same questions liberals faced vis-à-vis liberalism, scientists had to consider as well: if epistemology could be subjected to a historical and sociological inquiry, how can the promise of scientific progress and the legitimacy of scientific results be preserved without returning either to

[1] Gaston Bachelard characterized the novelty of these scientific mutations as "profound:" "a novelty not of discovery but of method. In the face of this ramification of epistemology, is there any justification for continuing to speak of a remote, opaque, monolithic, and irrational Reality? To do so is to overlook the fact that what science sees as real actually stands in a dialectical relationship with scientific reason" (Bachelard 1984[1934], 8-9).

[2] Heinzmann writes that: "Poincaré's conventions are by no means arbitrary notations of a fact, but are themselves the conditions of the possibility of speaking, if not of facts, at least of their objectivity" (Heinzmann 2006, 340).

"transcendental presupposition" (i.e. natural laws or invariants) or "a priori norm" (i.e. dogmatic ratios)? One solution was to locate the methodological and epistemological requirements for the progress of science within the community of scientists itself, their explicit norms, implicit beliefs, and shared practices. Acknowledging the historicity of epistemology and the conventional nature of truth made the objectivity and legitimacy of scientific knowledge dependant upon the quality of the decisions taken by scientific institutions and by scientists themselves: it bred "paradigm," "research program," and "*epistemes*" as topics open for criticism and discussion.[3] As in political conventionalism, one had to face the pitfalls and accusations of relativism, authoritarianism, and instrumentalism.

Only at this contingent moment when the science of social order and the politics of scientific organization were searching for new footings were a new doctrine of liberalism and the nascent philosophy of science forged together. Neoliberalism was born in the collision course between the controversial importation of the methods and prestige of experimental sciences in politics on the one hand, and the acknowledgement of the social and political conditions for the discovery and justification of knowledge on the other hand. It made the pursuit of knowledge and truth a political question, and gave the question of social order an epistemological answer: *what we could do depended on what we could know*.

In the late 19th century and early 20th century, classical liberalism on both sides of the Atlantic had promoted an "interventionist" vision of science: science was at the service of an enlightened

[3] Bachelard again perspicaciously noted that in the new scientific spirit: "Objectivity cannot be separated from the social aspects of proof. The only way to achieve objectivity is to set forth in a discursive and detailed manner, a method of objectification" (Bachelard 1984[1934], 12).

humanity, guiding its path away from irrationality towards prosperity and happiness. In this sense, the scientific method was a "radical" legacy of the Enlightenment, capable of transforming the private life of the citizens and impartially inform the public debate.[4] At the same time, there existed an elective affinity between the universal intent of science and the worldview of economic liberalism: free science and free trade walked hand in hand. During the Gilded Age however, this kinship turned into a conundrum. Whereas invention and technology could be spurred by the promise of exclusive patents and future profits, unhinged capitalism threatened, in turn, to privatize their benefits. In periods of economic downturn, this pitfall spiked the benevolence of scientists.

In reaction to the positivism of Auguste Comte, Herbert Spencer or William Graham Sumner, pragmatists in America, New Liberals and Fabian Socialists in England sought to rehabilitate the social experience of individuals—with the State at its helm—as the locus of political emancipation and moral progress. Their version of liberalism corresponded to a progressive discovery and fulfilment of individual talents and aspirations thanks to the medium of social norms and institutions; far from being limits to freedom, these were in reality its conditions of realization. Reformist politics spurned the revolutionary undertones of Marxism, and favored a gradual and rational adoption of democratic measures.[5] For instance, John Dewey's ideal was that "the experimental methods and problem-solving approach of science would effect a complete transformation of civic culture and its discourse" towards more cooperative and egalitarian ends.

[4] "American social science," writes intellectual historian Louis Menand, "essentially created itself as a discipline by reacting against the laissez-faire views associated with Sumner and Sumner's philosophical master, Herbert Spencer. After all, which assumption offers a more promising basis for a field of inquiry: the assumption that societies develop according to underlying laws whose efficiency cannot be improved by public policies, or the assumption that societies are multivariable organisms whose progress can be guided by scientific intelligence?" (Menand 2001, 305).

[5] Kloppenberg (1986) and Rodgers (1998) provide a comprehensive overview of the progressive politics at the turn of the 20th century on both sides of the Atlantic.

Increasingly, science and politics were inseparable as “democracy thus becomes identified with a "method" of discussion that assimilates it to science, while science is consistently described in communal terms that make it appear naturally democratic” (Wolin 2004, 515-517).

While John Dewey in the United States and Harold Laski in England claimed the mantle of science for their egalitarian politics by describing science as embodying democratic principles and values, early neoliberals orchestrated the same operation with two crucial differences. First, they posited liberalism rather than democracy as the accurate mirror of science, and searched not for the material and spiritual improvement of the many, but for boundaries on the reach of their coalesced interests. Secondly, instead of placing shared experimentations at the heart of social life, they emphasized the limits of knowledge and its social dispersion. Whereas the democratic polis was confident to achieve self-transformation through public education and a plastic knowledge of itself,[6] neoliberalism deliberately put ignorance at the core of its theory of society. Emancipatory at first, social sciences had become hubristic, leading the individual down new roads of collective serfdoms under the guise of a more scientific social order.

Accordingly, the problem space early neoliberals shared was spread out on a modernist and scientific canvas, one which contrasted sharply with the conservatives, reactionaries and old-fashioned liberals of their time. During the interwar period, self-proclaimed neoliberals dismantled and recoded the unpopular *laissez-faire* liberalism with epistemological ideas adapted from the “new scientific spirit” of the early 20th century. Breaking with naturalism and empiricism, they espoused a research program inspired by mathematical and physical conventionalism, one that balanced a skeptical epistemology with a commitment to scientific progress and objectivity.

[6] Archetypal of this first outlook is the public scientific activity of the Social and Economic Museum led by Otto Neurath in Vienna, in what was known as *Röte Wien* (Red Vienna) (cf. Burke 2013).

This updated epistemological software powered the early neoliberals' answers to the crisis of liberalism by infusing two sets of problems that they thought liberals had failed to tackle: the role of the state in the economy and the social question. Far from being a disagreement about value commitments, the quarrel which neoliberals engaged with their progressive counterparts was thus centered around methodology, both for scientific work and political decision.

Until the end of WWII, the purpose of renewing liberalism, away from *laissez-faire* and against economic planning, markedly overlapped with alternative solutions, notably Keynesianism.[7] It was one of many discourses situated on a large spectrum ranging from full-scale planning to limited interventionism, from the removal of the market to its institutional safeguard. From 1931 to 1947, neoliberalism was nurtured at the margins of some select academic institutions (the London School of Economics, the *Institut Universitaire des Hautes Études Internationales* in Geneva, the University of Chicago, Freiburg University) and understood itself as a scientific project to renovate liberal economic science while fighting against a new "socialism from the chair" and a totalitarian "revolt of the masses."[8] Rescuing liberalism from its "debacle" required several epistemological innovations which sought to address the lack of scientificity for which *laissez-faire* liberalism had been widely criticized in the 1920s and 1930s. A common methodological preoccupation united their efforts in their respective field, whether in economics, sociology, history, law, or the philosophy of science: liberal principles could be recovered in an analogical fashion from many fields of human action and knowledge. Despite differences in their analytical approach, some of them significant, early neoliberals all rejected the common interpretation of the hitherto most severe crisis of the capitalist economy as proof of the failure of liberalism. However,

[7] For the strongest exposition of the common ground between early neoliberals and centrist political factions, see Ben Jackson (2010).

[8] José Ortega y Gasset's *The Revolt of the Masses* became a popular reference among early neoliberals to account for the rise of mass politics, and the resulting crisis of the liberal order (cf. Ortega y Gasset 1932[1930]).

they also regarded the world economic crisis as a wake-up call to search for a new theoretical and ideological justification for the market economy which, they did not doubt, was the most effective economic system in spite of the Great Depression. In this sense, their political writings had a scientific inclination, and their scientific writings a political flavor. Largely forgotten has been their preoccupation for science and the scientific method both as a critical wedge against ideological opponents, and, equally, as a way to recode the obsolete 19th century liberalism in line with the new scientific spirit of the 20th century.

In this sense, epistemological and methodological propositions were pivotal to rebuild a *science of liberalism* which could reclaim the scientific ground lost to Marxism and the theory of socialism. At the same time, neoliberals battled competing claims about the nature of science, its history, and its position in society by actively reshaping ideas about scientific freedom, the discovery of knowledge, and their relationship with political institutions and social order. Faced with the scientific and rationalist optimism of the unity of science movement as well as much of Marxism, early neoliberals sought to demarcate and defend a *liberal science* against left-leaning and progressive scientists who promoted science as the midwife of social change. Crucially, they developed a theory of knowledge-in-society in which the disciplines of the philosophy of science and political economy were fused together into a single set of hypotheses. In these debates, answers to how to organize the community of researchers became relevant to the kind of political system one wished to defend and promote. Conflicting visions of the nature of science, its historical development, and its relation to truth, became entangled with economic positions and programs. Most visibly, concerns about the role of science in society were linked up with the most pressing political question of the day: the rise of fascism and totalitarianism.

In Paris in 1938, and above Lake Geneva in 1947, early neoliberals twice held conferences to define a common agenda. Twice, they established institutions to secure the undertaking of a research

program which could guide their individual efforts, shore up financial support, and attract prestigious academic and public figures. Twice, these academic circles floundered and failed to carry out the scientific reform of liberalism they had committed to achieve. During that time, the historical context, international personnel, and institutional support which had sprung early neoliberalism to life vanished. Ironically, the much-maligned triumph of neoliberalism from the 1970s on rose from the ashes of these early labours. The passing of early neoliberalism heralded a different orientation of its reformative zeal: later neoliberals abandoned the critical conventionalism of their predecessors, trivialized the efforts to rethink liberalism, and shunned the prudent distant founders had instituted between scientific debates and political expediency. Far from being a prelude to its hegemony, it is the singular history of these first decades that this dissertation recovers.

Literature Review

Remarkably, the history of neoliberalism has become as much a contested ground as the struggle against neoliberalism itself. In the wake of the first financial crisis of the 21st century, the resilience of contemporary neoliberalism has confounded its detractors who expected its "zombie economics" (Quiggin 2010) and obsolete policy models to give way to new horizons of expectations. Usually, these explanations focus either on a superficial reading of the defeat of neoliberalism as economic theory (Blyth 2013) or insist that its systemic flaws have become too apparent to maintain its legitimacy any longer (Duménil and Lévy 2011). More skeptical authors have remarked that far from suffering from a sudden collapse, neoliberalism has never been more palpable than in times of crisis, when it reinvents itself by metabolizing the criticisms leveled at it (Mirowski 2013) or by entrenching its dominance over policy debates (Crouch 2011).

In the past two decades, two competing paradigms have provided a comprehensive critique of the development of neoliberalism: a materialist account which focuses on neoliberalism as a regime of political economy, and a sociological account which regards neoliberalism as a hegemonic discourse or, alternatively, as an embedded rationality. The Marxian framework, first expounded in a seminal account by David Harvey (2005), and pursued today most prominently by Gérard Duménil and Dominique Lévy (2011), presents neoliberalism as the dominant ideology supporting the globalization and financialization of the economy. It focuses on neoliberalism as a regime of accumulation that strengthens the continuing domination of capitalism, notably through the capture of the state's regulatory powers by an economic oligarchy. For Duménil and Lévy, the ascent of neoliberalism and its "structural crisis" ought to be read as one sequence within "the history of the rise and fall of such social and international configurations" (Duménil and Lévy 2011, 7). Here, neoliberalism denotes specifically the political "compromise to the right" between managerial classes and the capitalist classes which gained ascendency when Ronald Reagan and Margaret Thatcher were elected into office. It combines a rolling back of the welfare-state and a growing income inequality, returning the world economy to a state of "financial hegemony" which had prevailed until the New Deal (*ibid.*, 15). Folding contemporary neoliberalism back onto 19th century *laissez-faire* liberalism, the Marxian account emphasizes the structural continuity of liberalism and neoliberalism as the ideological companion to capitalism rather than the historical ruptures and innovations which neoliberals themselves posited with their predecessors. As a result, it undermines any attempt to find in neoliberalism an original configuration of ideas and organizations which has dynamically reshaped capital and social relations: it is assigned mostly a secondary and functional role to the prevailing economic structure.[9] These shortcomings make

[9] In a review article, Ben Jackson has efficiently elicited the main shortcomings of Duménil and Lévy's materialist approach, intimating why the method adopted in this research better suits an adequate restitution of the nature of neoliberalism. He writes: "The shocking truth is that neoliberalism did not succeed simply because it was a strategy

this perspective little useful to reconstruct the contingency and significance of neoliberalism as an engine of epistemic change in the various social spheres it touches. Crucially, it does not consider the interlocking of the theory of science with political economy within national and international organizations, which would constitute a very promising way forward for this literature.

Working from different premises altogether, a sociological tradition inspired by the work and writings of Michel Foucault has blossomed out since the end of the 2000s and the publication of his lectures on the *Birth of Biopolitics* (Foucault 2008[2004]). In this series of courses delivered in 1979, Foucault describes how neoliberalism departed from classical liberalism through situating the *homo economicus* at the core of its political anthropology. Correspondingly, Foucault observed the rise of a new form of political rationality at the intersection of power, discourses and practices, based on the "generalization of the economic form of market […] throughout the social body" including spheres "not usually […] sanctioned by monetary exchange" like health, education, crime or marital relationships (*ibid.*, 243). Competition, rather than cooperation and exchange, became the dominant matrix to think about social relations, and evaluate them according to their market fluidity and efficiency. Here, market competition operates both as a "principle of decipherment of social relationships and individual behavior" and "a permanent political criticism of political and governmental action" (*ibid.*, 243-246), both sociological perspective and actionable lobbying.

The fortune of Foucault's ground-breaking interpretation of neoliberalism as a mode of governmentality (Rose 1999) has been such that it keeps on providing inspiration to contemporary scholarship. Nowadays, a significant share of the critical studies of neoliberalism

to advance the interests of the upper classes or because it was promoted by well-organized institutions – although these are surely part of the story – but also because many people were persuaded that its political and economic vision was attractive and suited the times, especially when contrasted with the rival vision proffered by the left. Understanding the historical construction of that vision – and its attractions – remains a neglected topic in the literature on neoliberalism" (Jackson 2012b: 1215).

pays attention to its growth as a political rationality that enforces competition from the highest state levels to the intimacy of the individual (Dardot and Laval 2013[2009], Brown 2015). There, neoliberalism appears less as a distinct set of ideas and policies than as an overall "principle of intelligibility" which reorganizes the fields of social and personal knowledge towards the moulding of new type of entrepreneurial subject (Rose 2007; Dardot and Laval 2013). Recently, debates around Foucault's interpretation of neoliberalism has led to a new wave of publications reassessing his precocious diagnostic, approving or contesting his sympathy for some neoliberal concepts which were contiguous with his own critique of the Marxian orthodoxy of the French political left (Lagasnerie 2012; Zamora and Behrent 2016). Despite its richness and occasional brilliance, Foucault's analyses do not constitute a rigorous intellectual archaeology of neoliberalism and do not illuminate its context and emergence. Internal tensions are obviated, as are the contradictions and compromises that characterized the consolidation of its doctrine (Audier 2015).

Beyond these divergent philosophical orientations, historians of neoliberalism have oscillated between showing how the material and institutional positions of neoliberal thinkers influenced the production of their ideas (Denord 2006; Steiner 2007), and presenting neoliberalism as a distinctive set of powerful ideas which have progressively conquered the minds of policy-makers (Stedman Jones 2012).[10] Both sketch how personal networks conjoined with individual patrons, private funding agencies, and select academic institutions, in order to provide ideological incentives to self-proclaimed "isolated" liberal thinkers. In this scenario, the production of

[10] For instance, David Stedman Jones, in a recent history of the development and influence of neoliberal ideas on public policy in the U.K. and in the U.S.A., embraces this opportunistic explanation: "Neoliberalism was the coherent, if loose, body of ideas best placed to capitalize on the opportunities created by the social and economic storms of the 1970. Deep-seated social and economic trends had erupted into crises, dislocation, and urban breakdown. But later on, the electoral success of Thatcher and Reagan in the 1980s enabled a wholesale political and philosophical shift to a new neoliberal ideology based on markets" (Stedman Jones 2012, 19).

neoliberalism has taken the shape of a blossoming network, progressively opening up as its influence radiates outwards in an increasingly favourable historical and intellectual climate. Shared by many critical scholars of neoliberalism, this linear perspective has many flaws however, some of which it is our objective here to correct. The main one is to present the propagation of neoliberalism as a teleological story powered by its own internal engine. Here, the dissemination of neoliberalism originates in the strength of ideas fomented in relative seclusion from contemporary debates, and proceeds through their subsequent grip on the key conservative figures which toppled the Anglo-Saxon world in the late 1970s (Cockett 1994; Dixon 1998; Harvey 2005; Stedman Jones 2014).[11] Refusing this basic chronology, Ben Jackson points out that:

> "it is highly misleading to present the eventual triumph of neo-liberalism in idealist terms, as an achievement that came about simply because of the incisive thinking and writing of great minds. Instead, it was crucial to the successful conclusion of the neo-liberals' long march that they were able to mediate their ideas through a number of interlocking institutions dedicated to developing, organizing, and popularizing their cause" (Jackson 2010: 131).

It is indeed necessary to reconstruct the context in which these mediating institutions have fostered the emerging neoliberal worldview. In doing so, this inquiry moves away from organizations and think tanks which explicitly support neoliberalism towards older philanthropic institutions whose support, although indirect, gave early neoliberals much needed credentials and moneys in the 1930s and the 1940s.

[11] This narrative is often supported by the oft-quoted line from Milton Friedman that: "Only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable" (Friedman 2002, xiv; the quote is from the Preface to the 1982 edition of *Capitalism and Freedom*).

Another drawback of such a teleological perspective lies in its presentation of neoliberalism as an overly ideological product, focusing on the production of tenets and ideas, and their diffusion through "second-hand dealers of ideas." Problematically, this history corresponds to the neoliberals' own internal history, one where the Mont-Pèlerin Society has constituted a first circle of intellectual production whose ideas have successfully trickled down to public opinion through like-minded intermediaries and public figures (cf. Hartwell 1995). Focusing solely on the history of the Mont-Pèlerin Society and its core members, most evident as a methodological rule of thumb in the collective book edited by Philip Mirowski and Dieter Plehwe (2009), has allowed for a tight history of the internal development of neoliberalism to be written. But as this story is now largely known, other questions have started to emerge: which were the competing organizational and ideological projects at the time? How to explain the early departure of many of its founding members? What became of the initial project of building a new science of liberalism?

To this day, most of the literature has emphasized a relative homogeneity and unity of neoliberalism across time over its centrifugal dimensions and currents. It has assumed that its first decades constituted mostly a prelude to its later expansion and success, as the Mont-Pèlerin Society continued to attract new members and the number of neoliberal think-tanks rose dramatically. These accounts end up cherry-picking what best fit their reconstruction of neoliberalism, forgoing discrepancies and contradictions. Wary of the seduction of intellectual coherence, Jamie Peck aptly warned that:

> "The danger in foreshortened retrospectives of the neoliberal ascendancy, of course, is the inadvertent affirmation of inevitabilist succession stories, as linear and sequential accounts inevitably tend to reify *chronologies*. Dissipated efforts, diversions and deadends tend to fade from view when the supposedly inexorable outcome (the neoliberal 'fix') is already known. [...] The zigzagging prehistories of neoliberalism serve as timely reminders of the contradictory, contingent and *constructed* nature of the

> neoliberal present, its produced and contextually embedded form, and its inescapable impurity" (Peck 2008: 3-4).

As a matter of fact, the development of neoliberalism has not been the smooth unraveling of one powerful idea or the irresistible ascension of a clique of doctrinaires. On the contrary, it has known diversification, conflicts, and failures, its issue was all but uncertain, and its ideas only gained currency thanks to perseverance and opportunism. In this vein, my work seeks to address the dead-ends and failures of the neoliberal movement, and define the period of "early neoliberalism" as distinct from later developments. This choice is at odds with most of the literature on neoliberalism locked in a retrodictive understanding of its development in order to explain our current predicament. Accordingly, the reader will find here little in the way of an overall critique of neoliberalism.

Sophisticated accounts of the history of neoliberalism published in the last decade (Audier 2012b; Burgin 2012; Mirowski 2013) lend more focus on the period of its inception, from 1930 to 1960. Within these newer studies on neoliberalism, some common threads have started to emerge in spite of different angles and hypothesis: a stronger periodization; a greater sensitivity to local contexts; and a bi-directional causal relationship between ideology and organizations, or ideas and structures.

Popular accounts of neoliberalism locate its birth in the 1970s (Harvey 2005; Klein 2007) and generally consider the preceding period as either preparatory or irrelevant. These chronologies, usually designed by essayists and political economists, have made neoliberalism the next regulatory 'regime', ideology or paradigm to come forward after the fall of political Keynesianism (most typically in Harvey 2005; Duménil and Lévy 2011). Too often, the Mont-Pèlerin Society's

first meeting in 1947 mark a distant departure point, with a reference to the Walter-Lippmann Colloquium of 1938 sometimes thrown in for good measure. This first event however, already materialized the convergent lines of thought early neoliberals had been developing since the beginning of the decade (Audier 2012a). Far from laying in self-proclaimed isolation, they were well-acquainted with each other while being supported by international funding agencies. Some narratives, more attentive to the internal history of neoliberalism as a hegemonic ideology (Walpen 2004), have highlighted both the significance of this meeting and a significant rupture within the neoliberal circles after the "Hunold Affair" in the 1960s and the rise of American members at the expense of European ones.

Today, in-depth intellectual histories (Mirowski and Plehwe 2009; Audier 2012b; Burgin 2012; Christoph 2012) draw a longer historical arc that starts from the 1930s and pinpoints various key ruptures in the early history of neoliberalism. My own work shares this inclination towards a stronger periodization of neoliberalism: it aims to establish the category of "early neoliberalism"[12] defined by a specific set of shared questions, a core ensemble of members with similar curricula, a pluridisciplinary orientation of their liberalism, and finally a moderate attitude towards the state and the unions.

For neoliberalism, the international level preceded the national one. Neoliberalism did not develop from a convergence of national traditions but as an international community of thinkers who were a minority side in their national contexts and sought to find similarly inclined allies in other parts of the world. Many of the important figures of early neoliberalism were in exile during the Second

[12] David Stedman Jones employs the expression "early neoliberalism" in contraposition to "mature neoliberalism" (Stedman Jones 2012, 34, 89). Jean Solchany uses the term "first neoliberalism" (*premier néolibéralisme*) in his biography of Wilhelm Röpke (Solchany 2015, 26). Gilles Christoph (2012) distinguishes four phases in the intellectual history of neoliberalism: a "first neoliberalism," a "radicalized first neoliberalism," a "second neoliberalism," and finally a "radicalized second neoliberalism." Jamie Peck employs the term "protoneoliberalism(s)" in his lecture on the prehistories of neoliberalism (Peck 2008: 3, 4).

World War and after, and cosmopolitanism was an important sociological trait of the neoliberal circles (Denord 2006, 110). Whether forced into exile or looking more congenial professional situations, few early neoliberal figures remained in one place, seeking through visits and exchanges to broaden the diffusion of their views. The constitution of dedicated international societies and think tanks testifies to their international outlook.

With this in mind, this research emphasizes less the importance of local traditions or schools of neoliberalism, than the significance of local settings to account for the multifarious trajectories of its actors. The English context, for instance, with a socialist movement committed to gradualism, and a strong contingent of scientist and scientific workers openly advocating the planning of science and of the economy, brought early neoliberals to contest first and foremost the scientificity of their opponents' arguments, rather than the ends they were promoting. In France, where the contingent of early neoliberals was the strongest, economists, intellectuals, bankers, and industrials had constituted a unique network of acquaintances with the *X-Crise* group as a gravitational centre (Denord 2006; Dard 2007; Audier 2012a). German and Italian early neoliberals leaned more towards anti-totalitarianism, building their defence of liberalism and economic freedom on moral and ethical grounds, keen to infuse their liberalism with spiritual dimensions. While early neoliberalism was perceived by its protagonists as a transnational endeavour, and was supported in this by international networks (such as the League of Nations and the Rockefeller Foundation), their local contexts and adversaries accounted for much of the shape of their activism and the direction of their efforts.

Finally, many researchers have come to accept that any history that sees ideas as entirely determined by the sociological profile and position of their producers, or that understands neoliberalism as the creation of lone geniuses, is fundamentally flawed. For instance, Angus Burgin's objective in his major study of the rebirth of conservatism in America is to overcome this

divide between idealism and instrumentalism. His work "devotes substantial attention to institutional context without inferring that the environment exerts hegemonic force over the generation and propagation of ideas," and "approaches ideas neither as abstractions that unfold in a realm wholly distinct from politics nor as mere tools that are invoked to engender a desired change" (Burgin 2012, 7). This leaves room to consider neoliberalism, on the one hand, as an ideological attempt at reforming the decaying tradition of liberalism, whose ideas should, as such, be inserted and understood within that tradition. On the other hand, institutions and networks remain decisive in shaping and fostering the development of neoliberal ideas, and studying neoliberal ideas as if in a vacuum would leave much of what gave them their peculiar efficiency out of the picture.

Faced with the multifarious development of neoliberalism, recent publications have instead attempted to renounce a singular understanding of neoliberalism and opt for a plural definition. One of the most thorough intellectual archaeologies of neoliberalism concludes that "there was not one neoliberalism, but several neoliberalisms" (Audier 2012b, 56) and that we should beware of confusing the various paradigms which are usually gathered under this umbrella (Audier 2013). The Austrian school, the German *Ordoliberalism* or the Chicago school of economics, if they all contributed to the birth and blooming of a neoliberal network, did remain separate intellectual traditions with conflicting methodological premises. Audier claims that this effort at pluralizing neoliberalism will liberate us from its illusory unity, and elevate the contributions of its more moderate and socially-oriented Franco-German participants. Other authors, insisting on the various ruptures and quarrels among neoliberals, implicitly acknowledge that neoliberalism, while being a convenient category, does not cover much empirical reality. There, we are left with the tantalizing assumption that there exists scattered "schools of neoliberalism" where "we cannot

identify any single or homogenous 'neoliberal' rationality or immutable and static neoliberal technologies" (Birch 2015, 43). Kean Birch even suggest that neoliberalism as a unitary movement never actually existed since plural neoliberal rationalities conflicted with each other on so many issues (monopolies, intellectual property, law, etc.) that it has become impossible to identify some policy or another as being strictly neoliberal.

These attempts at pluralizing or dissolving the concept of neoliberalism do not sit well with the historian of ideas. What comes to be identified as "neoliberal" has been thrown wide open, and the plurality of its uses in contemporary academia participate to a proliferation of the term "neoliberalism" that could mean one thing in anthropology, another in sociology, and another in history (Boas and Gans-Morse 2009). Despite the discomfort that such a polysemy may generate, it is imperative not to dissolve neoliberalism in the intellectual biographies of the different actors, nor to be drawn in endless quarrels upon an effective definition of "one" neoliberalism. In consequence, any attempt to genetically recover its "authentic" source or to arbitrate between various definitions inevitably lead to a truncated view. Instead, it is important to remain sensitive to the contingent historical context from which the term has evolved. As Angus Burgin makes clear: "gestures at classification should not obscure the sense of unease, uncertainty, and discord that structured these communities and their vocabularies of dissent. We cannot rely on static renditions of the philosophy of the present if we wish to understand the dynamics of an earlier time" (Burgin 2012, 10). Despite the confusion which might be maintained about its contours, neoliberalism remains well and truly an empirical reality, observed through its ideological tropes; a nebula of prestigious thinkers, some with Nobel Prizes; a cohort of spokespersons within corporations, public administrations, political parties and universities; dedicated Internet websites, books, magazines, leaflets and other media vulgarizing its ideas; and, last but not least, an armada of think tanks loosely coordinated in their propaganda and lobbying.

Therefore, the development of neoliberalism is here understood as one of a shared "problem space" where matters of disagreements and consensus have evolved over time (Peck 2008: 4; Christoph 2012, 18). Its consolidation has involved both intensifications and reinforcements as well as intervals and holes. This contradictory process has itself been creative of neoliberalism, its beginning already *intermezzo*, inserted in different timelines which converged in the late 1930s. In the last few years, some historians of neoliberalism have opened new pathways to understand this process of consolidation by disentangling the history of neoliberalism from its core protagonists, and opening up alternative avenues to consider their trajectory (Schulz-Forberg and Olsen 2014). In this perspective, the emergence of neoliberalism constitutes one element within a vast reshaping of international relations and organizations, a transformation of the philosophical and epistemological foundations of social order, and a realignment of local political parties and traditions. As a result, neoliberal scientific ambitions must be reframed within the vast expansion of expertise during the interwar, and the corresponding circulation of local scientific elites through international bodies. Early neoliberals took advantage of their position at the core of a growing demand for expertise surrounding the League of Nations, especially in the budding areas of the theory of international relations and of economic conjuncture (Slobodian 2018). The growing globalization of intellectual production provides a larger canvas to which the present dissertation provides some additional insights.

Tangential to a large part of the literature on the history of neoliberalism, this work follows one decisive strand of causation and explanation for the birth, development, and early success of neoliberalism: its adoption of a modern scientific world-view. It highlights the participation of philosophers of science and evaluate the decisive importance that their epistemological ideas had on the consolidation of neoliberalism. By bringing to the fore their approach of liberalism and social order as scientific problems, the debates and controversies they held with intellectual

opponents such as J. D. Bernal, Otto Neurath, or Karl Mannheim, are given a prominent place. Neoliberal ideas derived both inspiration and vigor from their contact with rival ideological projects, with which they shared, paradoxically, many underlying assumptions. In the end, the resurgence of liberalism—the "remaking" of *laissez-faire* (Peck 2008) or the "reinvention" of free markets (Burgin 2012)—in new clothes had little to do with a form of omnipotent rationality or a hegemonic discourse to rally the propertied classes. What was decisive was the ambition to create a genuine science of liberalism, supported and fostered by a community of participants mixing scholars, journalists, financial backers, and a new breed of idea entrepreneurs. Far from constituting an armchair intellectual movement, neoliberals leveraged their intellectual prestige and institutional position to reinforce the personal ties between themselves, disseminate their ideas, and influence public agenda.

Method and sources used

The methodological framework developed by conceptual and discursive historians is a fitting canvas for this kind of work. In his publications, Quentin Skinner looks at the production of political discourses following three main analytical angles: their conceptual structure, their intellectual aim, and their political function. This approach sheds light upon the internal logic of the discursive production and the logical relationship concepts entertain with each other, as well as upon their external aspect, the effects that authors expect from their pronouncements and the context of production which makes them perceptible and impactful. By distancing itself from the internalist approach in the history of ideas, what came to be known as the "Cambridge school" pays less attention to the reconstruction of a diachronic dialogue between authors of a great tradition than to the conversation established between these authors as participants to a common problem space (Skinner 1969). Consequently, the present work is guided by the intuition that context and

ideas, far from being mutually independent, illuminate each other when placed in a common historical framework. I intend to eschew an internalist reading of the development of early neoliberalism in order to show its position at the crossroads of the biographies of those who elaborated it, the intellectual context which made their ideas thinkable, and the organizational structure which made them audible. Neoliberalism is thus tackled from a three-pronged categorization: concepts/actors/institutions.[13] It is the interplay between these three levels of consistency, each beset with specific timelines, which enables ideas, and *a fortiori* an intellectual movement, to gain ascendency, legitimacy, and a certain form of hegemony. As a result, political ideas result from a social process of *co-construction*, something I will be keen to highlight throughout the dissertation. Throughout, I point towards similarities between early neoliberals, not only in matters of ideas or convictions, but also of argumentative style and strategy.

The mediating position of authors-as-actors is indispensable as the locus of the creativity, entrepreneurship and agency that characterized the diffusion, mutation, and disappearance of ideologies over time. That is why both their writings and their actions will be considered of equal importance to account for the effectiveness of neoliberalism: through their letters, travels and recollections, one can observe the sudden insights and frequent doubts of its promoters. It also reveals their inexhaustible energy to organize meetings, visit foreign institutions, participate in international advocacy, all of which contributed to the diffusion and legitimation of their agenda. As a result, my narrative remains conscious of the circumstantial—and sometimes strategical—relationship authors entertain with the concepts they use and the institutions and organizations

[13] This approach refines the one adopted by "The Good Society Project" led by Hagen Schulz-Forberg, which constitutes a international research project about the question of "how the transnational negotiations about the meanings of concepts such as free market, flexibility, growth, progress, or free prices among economists were implemented in the context of national semantics and traditions." Cf. "About the Good Society Project," http://goodsociety.au.dk/about-good-society/, page accessed on November 9th, 2017.

that support them. Between the discursive and textual analysis of their publications, the use and interpretation of their papers and correspondence as well as those from societies and universities, I reconstruct from this available material the intentions and meanings which presided to the formation of neoliberalism. My biggest challenge is then to decipher and expose the bearing of *scientific* concerns which I posit as the main trigger to the early neoliberal corpus and activism.

This exposition combines various disciplines and histories, in particular the history of science and the history of political ideas. Making sense of the diffusion and ubiquity of neoliberalism demands an understanding of the double movement this dissertation seeks to demonstrate: the penetration of external scientific principles and ideas in social theory and, reciprocally, the development of a social and political account of the work of science in society. Neoliberalism constructed itself by collapsing the barriers between economics, social science, natural science, and philosophy. Early neoliberals, often polymaths themselves, applied their intuitions and discoveries from their local context of discovery to wider purviews of social theory. The composition of their college, which included representatives of sociology, philosophy, economics, social theory, scientists, journalists, and historians calls for a transdisciplinary approach to this research question, itself wedged between the history of science and the science of politics. Since they understood liberalism as a method as much a program, early neoliberals built a research program which progressively encompassed more and more disciplines. Reaching the status of a "hegemony" (Plehwe and Walpen 2006) has entailed the colonization of its preferred paradigms and methods to matters which appeared at first foreign to its rationality. In this constantly evolving diffusion, my role is not to artificially reconstruct strong disciplinary assumptions regarding neoliberalism as a coherent political theory, but invite these contiguous disciplines to question and inform my narrative, and provide partial pieces of the puzzle.

Finally, one last methodological precaution needs to be taken. It would be disastrous to lock the history of neoliberalism only within national boundaries, and to evaluate its impact only in a comparative study of its reception and diffusion. The process of internationalization of the European intellectual classes, helped in part by the philanthropic monies of the Rockefeller Foundation, the Carnegie Endowment and the League of Nations, did not stop with the nationalistic fever of the 1930s. Paradoxically, the advent of totalitarianism accelerated this process, and the formation of neoliberalism is hardly understandable if one steps outside of the networks of sociability which structured this international space of thinking. Retrospectively, the inception of neoliberalism was often cast in the shadow of the upheaval of the Second World War, and its developments before the war have often been ignored. In his intellectual biography of Wilhelm Röpke, Solchany is right to point out that our comprehension of the past century would considerably improve if one adopts a perspective less obsessed by the two world conflicts and more careful in its appreciation for the long-term continuities "at the scale of a long 20th century of intellectual and ideological globalization" (Solchany 2015, 30). It will be shown here that far from killing early organizational efforts, the world conflict amplified some of the dynamics of neoliberalism which were at play in the 1930s: it radicalized its ideas, redistributed its support, reshuffled the cards of its alliance.

In the end, I feel confident that these two choices—transdisciplinarity and transnationalism—will buttress the results of this research. It allows for a more comprehensive presentation of the material available and prevents artificial divisions either for methodological or disciplinary reasons. Not only does it enables one to apprehend neoliberalism under a perspective suitable to its dimension and temporality, it ratifies the contemporary efforts in the history and critique of neoliberalism to abandon rigid categorizations and resituate neoliberalism in the much larger intellectual context of the 20th century, one in which globalization, scientific expansion, and the

diffusion—or hegemony—of Western civilization have reshaped the circulation of ideas and actors.

To be faithful to this ambition, I rely primarily on the publications of the early neoliberals themselves. Their evolving output in the 1930s, 1940s and 1950s illustrates the transformation of their ideas and the ways in which the context and reciprocal communication impacted their expression and diffusion. Two major publications of the period—Lippmann's *Good Society* (2005[1937]) and Hayek's *Road to Serfdom* (2007[1944])—are given special attention because their echo in the press and in other neoliberal publications was decisive for the orientation of the movement. But my preoccupation is to constantly situate the neoliberal output within the scientific conversations of their time and analyze how they constitute responses both to intellectual adversaries and to other liberals proposing new avenues of reflection. Given the multidisciplinary nature of the early neoliberal corpus (Michael Polanyi, for instance, writes simultaneously about physical chemistry, the philosophy of science, the Jewish question in England, and the theory of liberalism), my objective is to give coherence to these various strands throughout, showing how heterogenous aspects of their thought infused one another.

To reconstruct the personal relation which exists between these thinkers, sharing deep friendship, common projects, and the common fate of exile, I have accessed and used their archival papers and correspondence. Luckily, extensive records of the exchanges between neoliberals before, during, and after the Second World War have been well preserved (Hayek, in particular, was a generous correspondent). These letters have been used whenever they helped to clarify the questions they were facing, the doubts they harbored, or the theoretical and strategical disagreements that surfaced between them. In addition to these primary sources, I have relied on the intellectual

biographies published about the protagonists I chose to investigate. In this regard, excellent works, often quite recent, are available. Hayek's biography and trajectory have been extensively covered (Ebenstein 2001; Caldwell 2004), Polanyi's life and ideas have been the topic of two excellent monographies (Scott and Moleski 2005; Nye 2011), Malachi Hacohen's *Popper* (2000) has been hailed as a model for intellectual biographies, and the work of Lippmann as a "public economist" has been the subject of a recent retrospective (Goodwin 2014). These works assisted me in reconstructing the context of the import of these thinkers' scientific ideas in their politics, although they often remain discreet as to any involvement in a larger neoliberal movement. The same is true of Louis Rougier (Berndt and Marion 2006), although François Denord had unveiled Rougier's place at the center of the neoliberal early offensive in France (Denord 2002, 2006). Equally, Serge Audier's comprehensive treatment of the Walter-Lippmann Colloquium cleared some of the missing elements for the genealogy of early neoliberal figures (Audier 2012a, 2012b). Despite his generous efforts however, no extensive research has been undertaken on key intellectuals and public servants who later became prominent figures on the international scene. Members like Roger Auboin (long-time general manager of the Bank for International Settlements in Basel), Jacques Rueff (architect of De Gaulle's economic policy), Robert Marjolin (first Secretary-General of the Organisation for European Economic Co-operation, ancestor of the OECD) among others, have not received any substantial attention for their participation to the construction of neoliberalism and the diffusion of its ideas.

Difficult choices had to be made regarding the protagonists I put into focus in this dissertation. I invite the reader both to look towards complementary works and to consider this work as a stepping stone to a larger endeavor. The first group of intellectuals I chose to disregard were the Viennese companions of Hayek, some of whom like Fritz Machlup, Gottfried Haberler, or Emil Lederer would go on having successful careers in the United States and have remained

centrepieces to the neoliberal network. Machlup in particular wrote extensively about the problem of knowledge in economics and had a preeminent organizational position within the Mont-Pèlerin Society. The main reason for his omission is his lack of influential output until well into the 1950s, and his peripherical position in the organizational efforts of early neoliberals. More problematic is the exclusion of Alfred Schutz. Schutz was a prominent member of Hayek's *Geist* circle and sought to reconcile the premises of Austrian methodology (derived from von Mises) with Husserlian phenomenology. His most famous book *The Phenomenology of the Social World* originally published in 1932 contributed to the buoyant intellectual activity of the time supplying philosophical foundations for Max Weber's sociological work. Researching Schutz would have enlightened the interdisciplinary outlook of neoliberalism as an intellectual movement, geared as much towards social theory as towards economic theory. Also, many French participants, in addition to Rougier, were involved in the intellectual scene which formed the early neoliberal nebula in Paris. Raymond Aron and Bertrand de Jouvenel in particular, two intellectual heavyweights, are here given scant considerations, although they were equally concerned with the fate of liberalism, its theoretical and methodological foundations, and the diffusion of the welfare-state. They both participated actively in liberal and neoliberal networks and organizations.

Investigating early neoliberalism, I have realized that its inception was inseparable from the wider transformation of transnational intellectual networks. Far from producing a definitive account, this piece of research ought to be read conjointly with other researchers' efforts to come to terms with the emergence of neoliberalism as a multicausal and multifarious event, which mobilized traditions and support from different origins throughout its history. As much as possible, the readers will be reminded of these complementary works which offer indispensable insights for the present work.

Plan of the dissertation

Chapter 1 deals with the English debate around the opportunity to plan science and the singular inspiration this proposal received from Soviet Russia in the 1930s. Retracing Michael Polanyi's insertion in this context helps me to demonstrate his reciprocal articulation of academic and political freedom on new grounds. Polanyi's important contribution and central intellectual position set the stage for the wartime and post-war development of a *liberal* view of science. In chapter 2, I focus on the planning and economic calculation debates which occupied the economic discipline during the same period. In its parameters unfolds the remarkable transformation of Friedrich Hayek, who reformulated the boundary conditions of a liberal order from his epistemological recoding of the role of the market and of competition. Evolving from narrow disciplinary debates to the wider domains of social theory and the philosophy of science, the methodological originality of Hayek's "knowledge argument" announced the larger transdisciplinary ambition of neoliberalism. Closing the first part of the dissertation, chapter 3 considers the two towering figures of the first meeting of early neoliberalism: Louis Rougier and Walter Lippmann. Reconstructing their intellectual evolution, one comes to see the similar programmatic ambition which resulted from their interpretation of the downfall of liberalism confronted to the extension of state powers in the 1930s. Each ambitioned to reform liberalism from new epistemological principles, ensuring that its agenda would be based on a sound scientific method. The Walter-Lippmann Colloquium, thus, marked a decisive moment, when early neoliberals acknowledged their intellectual differences, and yet agreed that their ideas were sufficiently cohesive to establish a permanent center dedicated to their diffusion.

While the war put a stop to these entrepreneurial efforts, it spurred individual thinkers to burrow deeper in the revision of the epistemological framework which supported liberalism, doing so against intellectual opponents seeking to undermine liberalism as a valid political orientation. In

chapter 4, three themes in particular are of critical importance for the constitution of the early neoliberal scientific philosophy: the critique of scientism, the defusing of the sociology of knowledge, and the liberal reinterpretation of tradition. Taken together, these three strands continued the work of the previous decade by integrating contradictory arguments into a larger social theory now firmly based on conventionalism. Finally, the closing chapter looks at the post-war spawning of a neoliberal network which reconciled competing ideas for projecting neoliberal ideas in a time of peace. Far from retreating into academic debates, early neoliberals committed to a transformation of their intellectual environment from the top down, by founding dedicated societies, ramifying their influence, and resolving organisational problems which had plagued earlier efforts. Ultimately, this scientific impulsion, which had brought early neoliberals inside one forum, withered, as a good share of its members disagreed with the increasing focus put upon the economic rules and conditions for competition at the expanse of the original project to revamp and develop a comprehensive doctrine of liberalism. Therefore, the conclusion sheds light on the continuities, or absence thereof, between early and late neoliberalism, notably vis-à-vis their respective methodological and epistemological orientations.

CHAPTER 1

PLANNING SCIENCE

Recalling the troubled times of the thirties, sociologist Edward Shils wrote in 1947:

> "What began fifteen years ago as a major attack on the freedom of science in the English speaking world has led by counteraction to an increasingly systematic analysis of the nature and conditions of freedom in science such as the present century has not yet seen. It recalls in its clarity of mind and in its moral fervor, John Stuart Mill and though lacking the grandeur of that great spokesman for human freedom, it has the compensating merit – for scientists – of coming from scientists who know what freedom in the laboratory really means" (Shils 1947: 82).

A prime witness to the events which unfolded during these fifteen years, Shils remarked upon the unprecedented debate which had swept over the scientific world before the Second World War that would come to shape his own thinking (Turner 1999; Pooley 2007). In fact, the 1930s proved to be a pivotal decade in the history of science, a period when "radical historicist messages from Central Europe and the new Soviet Union combined with local antiquarian cultures into historiographical and institutional changes" (Mayer 2004: 43). The inception of, and resistance to, this new historiographical point of view, provided the backdrop for the intellectual conflict between pure and applied science, academic freedom, and social determinism. Specifically, the acknowledgement that science depended upon historical and social conditions triggered a

sustained inquiry into the intersubjective and collective nature of the production of knowledge. Scientists in Great-Britain ought to be credited for the recasting of this relationship between science, state, and society (Mirowski 2010; Nye 2011).

Let us turn our attention to Britain in the early 1930s and the emergence of Michael Polanyi as a social and political thinker. Faced with a concerted movement promoting the planning of science, Polanyi became an important public figure in the English debate surrounding the increase of state oversight in scientific research. From 1931 onwards, intellectual claims about the nature and character of scientific knowledge were translated into organizational forces which were to have a pivotal impact not only on policy, but on the future capacity of neoliberal ideas themselves to be institutionalized and carried out. Early neoliberals refuted the link, postulated by their Marxist counterparts, between the planned progression of science and the validity of dialectical materialism. In its place, epistemological claims about the dispersion, coordination, and tacit nature of knowledge, supported moral claims about the superiority of a liberal order. Since its inception, early neoliberalism has developed as a project *critical* of determinist theories of knowledge, a stance which has remained constitutive of its future iterations.

PART 1. A NEW VISION OF SCIENCE

The 1931 London Congress

My story begins in London, in the summer of 1931, where between the 29th of June and the 4th of July nearly four hundred delegates from twenty-five countries met for the 2nd International Congress of the History of Science and Technology. The organizing *Comité International d'Histoire*

des Sciences, which had been founded in Oslo in 1928, had held an initial international conference in Paris the following year. Before 1930, however, the history of science had remained a subject of amateur interest, and rarely attracted publicity or controversy: only a few trained historians had thus far ventured into this nascent enterprise. The history of science was generally apologetic and celebratory, focusing on the isolated genius of a few explorers rather than on contextual considerations of the socio-economic conditions surrounding their work (Crowther 1967, 430). Science for the sake of science remained the prevalent approach to the history of the discipline.[1]

The organizers of the London Congress had hoped that such an international event would bolster public support for science. The Great War and the Great Depression had impressed upon the public the dangers of the misuse of scientific advances for the purposes of war or economic profit, both of which, it was felt, had awarded man a hubristic power over nature and his fellows. In his sermon to the 1927 meeting of the British Association for the Advancement of Science (BAAS), the Bishop of Ripon had called for a ten-year scientific holiday so that the energy devoted to science be "transferred to recovering the lost art of getting on together and finding the formula of making both ends meet in the scale of human life" (Bowler 2001, 370ff). Even inside the progressive camp, works such as Aldous Huxley's *Brave New World* and H. G. Wells' *The Shape of Things to Come,* published in 1932 and 1933 respectively, stressed that science was altering civilization and its

[1] The decade which followed the Second World War bore witness to the emergence of the history of science as a truly independent field of inquiry and training. Canonical texts like Alexandre Koyré's *Études galiléennes* (1939) and Herbert Butterfield's *Origins of modern science* (1949) "consciously departed from older portrayals of the story of science as a series of decontextualized *eureka* moments, defining the historian's task instead as a study of intellectual heritage and its continuities and discontinuities. In this protocol, the necessity to confront existing historiographical practices with good historical craft […] militated against the trend of the 1930s for history to address broader political issues, notably that of the relations of science with society at large and the challenge posed by the problem of how scientific planning could be improved with the needs of society in mind" (Mayer 2004: 41-42).

political organization in decisive and irreversible ways. As a result, scientists themselves adopted a more cautious attitude regarding the reach and significance of their work.[2]

As a remedy to popular scorn, the organizers of the London Congress emphasized educational and humanist concerns, pushing for the integration of the history of science into the public education curriculum (Mayer 2002). Matters such as the teaching of science in the classroom and the relevance of the history of science for scientists themselves dominated the congress (Freudhental and McLaughlin 2009, 27). In his own speech, physiologist A. V. Hill[3] addressed the lack of gratification felt by many scientists concerning the classical view of progress taught to the new generations:

> "If history is to deal with human greatness, with things which have given man control of himself and his surroundings, that have relieved him, and can relieve him, of superstition, ignorance, ill-health, and incompetence in the face of natural forces, then Harvey, Darwin, Newton, Faraday, Maxwell and Rutherford, and their discoveries, deserve a more worthy place even in children's history books. At present not man's greatness, but his patient stupidity, his courageous folly, his selfishness, his intolerance, are what we emphasise" (quoted in Adams 1931: 207).

The contempt for science in public education had been an old recrimination of British scientists since the 19th century. Teaching the history of science was perceived as an antidote both to the bad

[2] The following year, in his presidential address to the 1932 British Association (BAAS) general meeting, Sir Alfred Ewing touched on the topic: "In the present day thinker's attitude towards what is called mechanical progress we are conscious of a changed spirit. Admiration is tempered by criticism; complacency has given way to doubt; doubt is passing into alarm. There is a sense of perplexity and frustration, as in one who has gone a long way and finds he has taken the wrong turning. […] We are acutely aware that the engineer's gifts have been and may be grievously abused. In some there is potential tragedy as well as present burden. Man was ethically unprepared for so great a bounty. […] *The command of Nature has been put into his hands, before he knows how to command himself*" (Ewing 1932, 349-50; my emphasis).

[3] Archibald Vivian Hill (1886-1977) was an English physiologist. He was awarded the Nobel Prize in Physiology and Medicine in 1922 "for his discovery relating to the production of heat in the muscle." He was a founding member of the Academic Assistance Council in 1933, and served with P. M. S. Blackett on Henry Tizard's Aeronautical Research Committee which led to the invention of radar. He was married to Margaret Keynes, John Maynard Keynes' sister.

press attracted by scientific progress, and to an overly classical education out of touch with the increasingly technical and scientific complexity of the modern world. What changed in the 1930s, however, was the appearance of the Soviet Union as the model of a self-proclaimed 'scientific society' (Paul 1983: 6).

Whatever the original intent of the Congress, the unexpected arrival of a Soviet delegation transformed its nature and scope. The Russian party was an impromptu one, whose presence owed to a change in Stalin's attitude towards the Soviet intelligentsia.[4] In an effort to make Westerners more acquainted with Soviet industrial and scientific principles, Stalin had decided merely a week before the opening of the Congress to send a delegation to London, with Bukharin[5] as its leader (Werskey 1979, 139). Charles Singer, a pioneer of the history of medicine and president of the Congress, refused to accommodate the Russian delegates in the regular schedule, and offered, after negotiations, to add an extra session on Saturday morning, during a time when most of the participants would be away on a scheduled visit to Oxford. In the end, the Russian papers were made available to the participants on July 4th, following five days of continuous labour to translate and print the documents into English at the Russian Embassy in London.[6] Three days later, they were published in a brochure titled *Science at the Cross-Road*; its foreword boldly stating that:

[4] A conciliatory attitude that would be very short-lived, since Soviet scientific borders would close again thereafter. There was no Soviet delegate at the International Congress of History of Science in 1934 and 1937 (Fox 2006: 414). A further indication of these restrictions was the cancellation of the 1937 International Congress of Genetics which was to be held in Moscow, because of the rise of Lysenkoism and the suppression of research in human genetics (Paul 1983: 8-9).

[5] Nikolai Bukharin (1888-1938) was a prominent Bolshevik theorist and revolutionary, who spent years in exile with Lenin and Trotsky and became an editor of *Pravda* after the October Revolution in 1917. By 1931 however, Bukharin had lost the battle of power with Stalin and occupied a ceremonial role as head of the Academy of Science's section on the History of Science and Director of Industrial Research for the Supreme Economic Council. He was one of the most prominent victims of the infamous Moscow Trials in 1938. Indeed, nearly all of the Soviet delegates sent to the 1931 London Congress eventually lost their lives during these events.

[6] A detailed story of this "Five-Day-Plan" is told in Crowther (1970, 78).

> "In Soviet Russia absolutely new prospects are opening before science. The planned economy of socialism, the enormous extent of the constructive activity […] demand that science should advance at an exceptional pace. […] In the capitalist world the profound economic decline is reflected in the paralysing crisis of scientific thought and philosophy generally" (Bukharin 1971[1931], 5).

Traditionally, scientists had supported an elitist and isolationist perception of their work in laboratories: science generated its own demands and problems, which men of varying genius came to solve thanks to their ingenuity. The Soviet scientists' response to Hill's speech criticized not only the lack of social importance conferred to science in the West, but rejected the personalization of scientific discoveries at the expense of a socio-economic analysis of their circumstances.[7] The Soviet delegates adopted the Marxist premise that even the most abstract intellectual work represented as much a human activity as other forms of knowledge acquisition and, as a result, had its source in human life and its needs. At the same time, Marx himself had stopped short of applying his sociology of class interests to the *contents* and *results* of specific theories in the natural sciences (Mulkay 1979, 5-11; Canguilhem 1981[1969], 37). In its stead, Aleksandr Bogdanov, influenced by the epistemological critiques of the early 20th century concerning the foundations of science by Ernst Mach and Henri Poincaré, had pioneered a "social constructivism" which offered a fresh materialist viewpoint on the progress of science. Bogdanov understood scientific knowledge and practice as being closely linked with technological and industrial development, contrary to the rise of an ideology of "pure" science and its increasing abstraction, which had alienated scientific research from the masses and their needs, subordinating it to market demands. The application of dialectical materialism to the history of science and the work of past scientists was virtually unknown to Western scientists until that fateful morning of July 4th 1931: what

[7] Throughout the Congress, discussions mostly consisted of a dispute between the "Soviet scientists' uniform philosophical approach" and the "extremely individualistic, not to say anarchic, approach of most of the other contributors" (Crowther 1970, 78).

sounded like a Martian language to some became a revelation to others (Kojevnikov 2008: 123-125).

Boris Hessen's paper

During their specially-arranged session, Russian delegates had been allowed ten minutes each to summarize their papers (Chilvers 2003: 426). Boris Hessen opened his paper "The Social and Economic Roots of Newton's 'Principia'" by contrasting the Marxist approach to inventions and discoveries with the lay historiography of Newton's genius:

> "The phenomenon of Newton is regarded as due to the kindness of divine providence, and the mighty impulse which his work gave to the development of science and technology is regarded as the result of his personal genius. In this lecture we present a radically different conception of Newton and his work. Our task will consist in applying the method of dialectical materialism and the conception of this historical process which Marx created, to an analysis of the genesis and development of Newton's work in connection with the period in which he lived and worked" (Hessen 1971[1931], 151-2).

Building on Bogdanov's framework, Hessen insisted that science was but one kind of labour within the system of social production. His discussion of the social context and the cognitive content of science was modelled on Marx's analysis of the labour process (Freudhental and McLaughlin 2009, 1). He offered a recasting of Newton's discoveries within the social (bourgeois) and industrial (capitalist) needs of his time, namely ballistics, optics, and navigation.[8] Furthermore, he pictured

[8] This is shown in the following passage: "The historically inevitable transition from feudalism to merchant capital and manufacture, and from manufacture to industrial capitalism, stimulated the development of forces to an unprecedented extent, and this in its turn gave a powerful impetus to the development of scientific research in all spheres of human knowledge. Newton happened to live in this very epoch, when new forms of social relations, like new forms of production, were being created. In his mechanics he was able to solve that complex of physico-technical problems which the rising bourgeoisie had set for decision. But he remained impotent before nature as a whole. Newton knew the mechanical transposition of bodies, but he even rejected the conception that nature finds itself in process of unceasing development. Still less can we hope to find in him any view of society as a developing entity, although it was specifically the transitional character of the epoch which gave rise to his basic work" (Hessen 1971[1931], 204).

the work of the scientist as woven into the fabric of the class struggles and ideology of his time, tracing the source of Newton's dualism back to the "class compromise" of the Glorious Revolution which he supported (Hessen 1971[1931], 177). He employed the Marxist theory of the development of consciousness as a means to extricate the "true roots" of intellectual motives from their material environment, whilst dismissing the detached view of "bourgeois science" as one promoted by capitalism (*ibid.*, 153). In Hessen's deterministic perspective: "Economics is said to *present* demands, which *pose* technical problems, which *generate* scientific problems" (Freudhental and McLaughlin 2009, 4).

Three original propositions conveyed in Hessen's paper resonated strongly in the minds of his English admirers and converts. First, the idea that the advancement of pure science is dependent on the economic and technical means of its time, "both for the problems they present it with and for the means provided for their experimental study" (Bernal 1949, 337). In so doing, existing technology sets the boundaries of the cognitive horizon available to scientific thought (Freudhental and McLaughlin 2009, 33). Secondly, science is a social mode of production, and as such, "those social forms that become fetters upon the productive forces likewise become fetters upon science" (Hessen 1971[1931], 210). The development of science is thus subordinated to the capitalist mode of production in such a way that, lastly, "only in a socialist society will science genuinely belong to all mankind" (Hessen 1971[1931], 212).[9] Once the strong dependency of scientific work upon the world of social relations and material needs has been acknowledged, the apprehension of pure science as a detached sphere represented an ideological feature of a

[9] The origins of science themselves pointed to the complete interdependence of social labour and scientific activity: "The great historical significance of the method created by Marx lies in the fact that knowledge is not regarded as the passive, contemplative perception of reality, but as the means for actively reconstructing it. For the proletariat science is a means and instrument for this reconstruction. That is why we are not afraid to expose the "worldly origin" of science, its close connection to the mode of production of material existence. Only such a conception of science can truly liberate it from those fetters in which it is inevitably trapped in bourgeois class society. […] [B]y reconstructing social relations we reconstruct science" (Hessen 1971[1931], 211-2).

bourgeois society, a leisurely activity for disengaged grey eminences. Accordingly, only socialism could liberate science from this artificial isolation and unleash its full potential for the satisfaction of human needs. On that day, the externalist viewpoint on science was born, one which aimed at repairing the lost connection between scientific practice and social history.

Birth pangs of the social relations of science

In a volatile economic context, the Marxist approach confronted the prevailing historiography of science institutionalized by the International Academy of the History of Science, its main international disciplinary body (Fox 2006: 414). By linking scientific discovery and historical processes, a new generation of scientists and historians were drawn by the prospect of uprooting the dominant internalist accounts of inventions and progress in science. Hessen's argument concerning Newton's discoveries would eventually come to influence such salient scholars as G. N. Clark, the Chichele Professor of Economic History at Oxford, and the American sociologist Robert K. Merton (Clark 1937; Merton 1938).

Reporting on the Congress, crystallographer J. D. Bernal confronted readers with a stark choice under the guise of a rhetorical question: "Is it better to be intellectually free but socially totally ineffective or to become part of a system where knowledge and action are joined for one common social purpose?" (Bernal 1949[1931], 339). J. G. Crowther, the *Manchester Guardian* science editor, and a key figure in the dissemination of the views of the scientific left, remarked that Hessen's paper "transformed the history of science from a minor into a major subject. It showed that a knowledge of the history of science was not only of antiquarian interest, but was essential for the solution of contemporary social problems due to the unorganized growth of a technical society" (Crowther 1967, 432; my emphasis). For people like Bernal, Hessen's contribution set a benchmark for future publications in the history of science. Joseph Needham found the issue

surrounding the connection between discovery and historical processes so constructive, that he wrote in his *History of Embryology* that the history of science ought not to be separated "from the technical needs and processes of the time, and the economic structure in which all are embedded" (Needham 1975[1934], 15; Mayer 2004: 48).

While the *history of science* became suffused with political overtones, new epistemological lines of fracture now came to inform much larger theoretical and ideological commitments concerning the *function of science* in society. The disciplinary commitment of Hessen and Soviet scientists to actualize a vision of science rooted in the available means of production doubled up as a political pledge to a socialist form of organization: "for the new science historians, historicity formed a key concern, yet clearly this was profoundly so in conjunction with the political good that it promised to deliver" (Mayer 2004: 65). The controversy was not solely directed towards disciplinary historiography, but at the place of science itself in society. On the one side, those inimical to the Communist project found these new ideas to be dangerous and dogmatic. Their hostile reaction transmogrified into a defense of pure science as the only viable organisation. On the other side, socialist-leaning historians and scientists became increasingly vocal in their dissent over the organization of science in the U.K. and looked towards the U.S.S.R. for a model where the scientist's work was fully integrated to social movements.[10] Looking back eight years after the Congress, Hyman Levy explained that: "the standpoint consistently adopted by these delegates crystallized out in remarkable fashion what had been simmering in the minds of many for some time past. What became clear was not only the social conditioning of science and the vital need for planning,

[10] The enthusiasm of so many scientists (not all of them Marxists) for the Russian example at this time must also be understood in the context of a tradition whereby scientists had long looked to the state as an ally in their struggle against the schools, universities, and other institutions, they thought responsible for the neglect of science in Britain (Paul 1983: 6).

[…] but the impossibility of carrying this through within the framework of a chaotic capitalism" (quoted in Werskey 1979, 147).[11]

A reporter on the Congress echoed the rising sense that an irreversible turn had taken place in London: "The doubt of the autonomy of his domain having been raised, the scientist cannot achieve efficiency in his science until, by an examination of his processes, to which history can powerfully contribute, he has found whether there be grounds or not for the doubt" (Adams 1931: 213). To be made socially relevant, scientific knowledge now demanded to be historically examined and dissected. The way forward appeared clear to the scientific left: if the history of science was to be rewritten as a dialectic relationship between what society needs, and what science discovers, then this "entirely new vista" (Bernal 1936, 63) would need to find immediate currency in the scientific work of the day. Beyond scientific theory and historiography, the left's concerns were primarily with the *social relations* of science: that is, the relation between scientists and the public, the government, schools, universities, the various industries, and general culture. The renovation of science and the scientific modernisation of society were perceived as interdependent tasks: science needed to be rationalized and redirected away from war and profit-making, and society to be reorganized along scientific principles and in ways which stimulated further scientific progress (Paul 1983: 3). From their laboratories, scientists held a privileged position from which they could assume a new consciousness of their intellectual standing in the public sphere: no one was more qualified for this task than they were. At the same time, pro-planning organizations like PEP repeatedly called for the adoption of a scientific treatment of social problems, transcending

[11] As J. D. Bernal explained to Beatrice Webb in 1939: "I can say that the inspiration for my own work and that of many others in science, notably Haldane and Hogben, can be traced definitely to the visit of the Marxist scientists to the History of Science Congress in 1931. We did not understand all that they said, in fact I now suspect that they did not understand it entirely themselves but we did recognize that here was something new and with immense possibilities in thought, and that, as it were, the whole range of our understanding could be multiplied by working out the suggestions they offered." Letter J. D. Bernal to Beatrice Webb, 10 February 1939 (quoted in McGucken 1984, 73).

contingent political divisions: the current economic crisis, they all professed, was not due to an excess of science, but a default (see chapter 2). In the minds and publications of the social relations of science movement, the scientific attitude came to be associated with a greater control over nature and human activities, often with central planning and organization at its core, alongside a historical consciousness of the social roots and consequences of scientific work.

PART 2. THE SOCIAL RELATIONS OF SCIENCE AND BERNALISM

The politicization of British scientists

As a way to cater to the new-found interest in Soviet science, J. G. Crowther organized several field trips to the Soviet Union[12] after the Congress, bringing the Huxley brothers in July 1931,[13] and J. D. Bernal, physicist John Cockcroft, W. L. Webster from the Cavendish laboratory, American physiologist Glenn Millikan, and the biochemists Bill and Tony Pirie in August (Brown 2005, 111).[14] A suitable way to elucidate the U.S.S.R.'s growing influence on British scientists is to trace Julian Huxley's conversion to a Marxist perspective on science. The grandson of T. H. Huxley,

[12] These trips were organized under the auspices of the Society for Cultural Relations with the Soviet Union (SCRSU).

[13] Julian and Aldous Huxley's reactions would be diametrically different. The older brother, enthused by the Russian spirit, frequently dabbed at the English for their lack of fervour and order, whilst the latter published *Brave New World* the following year. There is no evidence linking this trip to Russia with Aldous' impetus to write his famous dystopia, however.

[14] Bernal's impressions of his trip were more mitigated, probably because his party did not receive the same VIP treatment as the one lavished upon the Huxley group (Brown 2005, 111). He recalled that he "went round the Soviet Union in those rather rough, primitive and casual days when one saw very much of the difficulties as well as of [the] achievements. […] Yet there was no mistaking the sense of purpose and achievement in the Soviet Union in those days of trial. It was grim but great" (quoted in Werskey 1979, 148).

"Darwin's bulldog," Julian Huxley was a pure product of the British scientific elite, and became an important evolutionary biologist, one of the main vulgarizers of the Modern Synthesis (Huxley 1942). A moderate voice in the 1920s, he published, upon his return from Russia, a raving pamphlet that presented Russia as a country engaged "in a scientific experiment" (Huxley 1932, 49) with social planning. The Five-Year-Plan, he announced, stood in stark contrast with the chaotic growth of capitalism: it represented "a symptom of a new spirit, *the spirit of science* introduced into politics and industry. […] It heralds the birth of *a new kind of society which is coherently planned*, and has not, like Topsy and the *out-of-hand individualisms* that constitute our Western nations, 'jest growed'[15]" (*ibid.*, 50-1; my emphasis).

Huxley celebrated both the scientific basis of planning, and the widespread adoption of a scientific attitude in Soviet Russia through "the application of scientific method to human affairs" (*ibid.*, 52). On the one hand, he urged the National Government in England to study the "science of Planning" where "planning itself has principles to be studied and a technique to be improved." Echoing many of his fellow scientists' feelings on the other hand, he attacked the restrictions laid upon the science budget at a time when the Russians were "preparing to increase expenditures on pure scientific research to a scale far beyond that attempted in any capitalist country" (*ibid.*, 55, 59). Unlike Britain, scientists in post-revolutionary Russia enjoyed an unparalleled access to political power, and their prestige and political importance rose to "previously unthinkable levels." Increased public support for science was granted in return for research whose aim was to target the economic and social goals set by the State: "orientation toward producing useful knowledge

[15] Topsy is a small black girl character in Harriet Beecher Stowe's novel *Uncle Tom's Cabin* (1851-52). When somebody asks her whether she knows who made her (that is, whether she has heard of God), she replies "I expect I grow'd" (=grew). People say something "just grew, like Topsy" when they are talking about something whose real origin is not known or about something that has gradually become very large.

required that the main directions of research and the distribution of resources for science would be rationally "planned" via institutions of the state" (Kojevnikov 2008: 119-121).

Bemoaning that capitalist countries lacked incentives for seeking practical applications to scientific discoveries, Huxley praised Soviet scientists for their efficient liaising of theory and practice in agriculture and industry. As a matter of fact, propaganda and education were widely employed to disseminate a scientific attitude among the largely uneducated population, with posters and exhibitions found everywhere in schools and town halls (Andrews 2003, 154ff). On the contrary, in Western countries, "we do not make any bridge from the population as a whole back to science, with the consequence that *pure science remains largely esoteric*, and the scientific spirit is not understood by those who are putting its results into practice" (Huxley 1932, 104-5; my emphasis). Julian Huxley's observations of the Soviet's elevation of "science and scientific method to its proper place" were set against the sense of crisis felt in Britain, with the blame firmly laid on *laissez-faire* and the social dislocation it aggravated. Once the science of planning would bear its promised fruits of reduced working hours and improved welfare for all, "wholly *new vistas* would open before society" (*ibid.*, 110, 94).[16]

Huxley's report translated the newly-found insistence from left-leaning scientists that their craft was inherently a social one, and supplemented calls for science to become a truly public and democratic activity. Many of Huxley's publications from this period ensued from his engagement in publicizing the aims and possibilities of using science for social change (Huxley 1934). At odds

[16] Julian Huxley did not suffer from complete blindness as to the exacting price that social planning entailed for political freedom. He observed that "the question of questions which Soviet Russia poses to the world is this. Can any nation afford to go on, can it indeed keep itself from disaster, without wholesale planning? […] Granted that wholesale planning of economic and social organization is desirable, is the Russian method the only practicable one? To what extent must liberty be sacrificed to efficiency? […] It is one of the paradoxes of the situation that a great deal of forcible repression from above co-exists with a great deal of real enthusiasm among the people" (Huxley 1932, 108-9).

with the Soviet Union, the inner circles of political life were often inaccessible to scientists in Britain, who were commonly "demeaned, discounted, or demonised" by politicians and humanist intellectuals, as well as in popular works of fiction. Overall, there existed "a significant lack of interest shown by most professional politicians in the social ramifications of scientific research" (Harman 2003: 335). For the new generation of young scientists, coming-of-age amidst the economic collapse of England in the late 1920s, the Soviet model cast a long shadow over their political awakening. Before the Congress of 1931, the interest in opening a critical front among scientific workers had been an ill-defined and sporadic one, with the traditions and prestige of pure science remaining largely unaffected. After 1931, however, economic depression, the rise of fascism, and the ever-louder calls for the mobilisation of resources for war combined, rose the public profile of previously apolitical scientists.

They were helped in that endeavor by the BBC which produced a great number of broadcasts dealing with the future of science. It provided an amount of public exposure to this new cohort of scientists eager to enlighten the lay public about the pervasive role of science in everyday life. To that effect, Julian Huxley became a regular participant in these radio broadcasts, whose sights were set on influencing British scientific and technological policy toward increasing the level of planning and the integration of science and society (Nye 2011, 183). Hyman Levy, a mathematician at the Royal College in London who had joined the Communist Party of Great Britain, devised a series of talks together with Mary Adams, a broadcaster at the BBC, which were published under the title *Science in a changing world* (Adams 1933). The talks encompassed a variety of opinions from scientists and public figures alike, some of which adopted a conservative view of science as leading to the destruction of the common spiritual grounds of society. In her introduction the book, Mary Adams understood the future of science as wedged between two incommensurable perspectives:

> "Man is out of place in nature, and some of those who are contributing to the symposium feel that unless some kind of re-orientation occurs he cannot survive. On the other hand, other contributors believe that the remedy for our sickness *is not less science but more*, that a *more scientific understanding of human nature* will restore coherency to life, and that the ancient forces of religion, aesthetics, and humanism, will find their place in the modern age. But in that event we must accept the inevitability of science and apply ourselves to the task of understanding the civilization in which it works: *there is hope for the future only if we strive to condition it by philosophical forethought and scientific planning*" (Adams 1933, 14; my emphasis).

In other words, whilst "philosophical forethought" was uncovering the hidden aspects of our transformed nature, scientific planning was allowing us to take control of the irrational parts of our behaviour and organization. Despite the deteriorating conditions of the 1930s, these scientists followed the Russian insight that science, the scientific method, and scientific perspicacity must now take their place as the corrective apparatus of the social and economic chaos of their time. They advocated for a more scientific outlook to the problems of society, relying on the recent success and achievements of the natural sciences in fostering a new age of scientific understanding. Finally, they organized together to form a common front, pushing for a reform of the scientific establishment, a stronger coordination between social needs and scientific research, and the growth of scientific awareness and literacy among the population. For the first time, Western scientists wove together the practice of science, the pedagogy of its method, the teaching of its history, and the principles of socialism.

Organization on the Left

The social relations of science movement was not monolithic in its aims. Reformists – whose most notable representatives included Julian Huxley, Frederick Gowland Hopkins, Daniel Hall, and *Nature* editor Sir Richard Gregory – sought first to obtain a greater voice for science and scientists within the existing political sphere. Radicals – led by J. D. Bernal, J. B. S. Haldane, Lancelot Hogben,

Hyman Levy, and P. M. S. Blackett – fought to revolutionize this same political order, believing that the fullest use of science could only be carried out in a socialist polity. Indeed, nowhere were the divisions between the two groups more ostensible than in their respective response to totalitarian regimes: while Radicals championed a fruitful interaction between science and society, with the Soviet Union as a model, Reformists were much less enthusiastic. For them, the integration of scientists into the political spheres of Germany and the Soviet Union, and their zealous nationalism, had become a great cause for alarm. Such sentiments, Reformists believed, stood in opposition to the spirit of a genuine international scientific community (Harman 2003: 335).

Notwithstanding their different orientations, the emergence of the left scientists and their engagement with *praxis* paid immediate dividends in the resurrection and strengthening of the scientists' union: the Association of Scientific Workers. Both J. D. Bernal and P. M. S. Blackett presided over the association, which energized the social relations of science movement, and circulated the pamphlets and brochures edited by its intellectual leaders. The First World War had revealed grave deficiencies in the coordination and treatment of scientists by the government. In January 1918, young scientists signed a memorandum in which they claimed that "one of the main reasons why science does not occupy its proper place in national life is that scientific workers do not exercise in the political and industrial world an influence commensurate with their importance" (quoted in Crowther 1967, 426). The National Union of Scientific Workers had been formed as a response, implanting itself firmly in Cambridge. Despite scant success in improving the lot of scientists, the union was hit hard by the depression. In 1935 membership to the newly renamed Association of Scientific Workers fell to a mere 695.

In the late 1930s, three factors contributed to its revival: the improved economic situation; the persecution of scientists in Germany, and the growing social relations of science movement initiated in 1931 (Crowther 1967, 427). More importantly, the generation raised on the ruins of

WWI had by then fostered a more conscious notion of their interests and social position. The Association began espousing a Marxist view of science at a time when radical scientists started to join its ranks in 1932. As usual, Bernal was a towering presence at meetings, and he was elected to the Association's national executive council in 1934 (McGucken 1984, 81). Under his guidance, the Association gave itself the mandate in October 1935 to "secure the wider application of science and scientific method for the welfare of society" (McGucken 1984, 82). Besides raising scientists' social consciousness, its members advocated for an increase in state allocations towards research and a closer relationship between scientists and the government. By 1939, the Association had grown to more than 1300 members, laying the foundations for the massive expansion which took place in the aftermath of WWII, when it reached 18,000 members.

Likewise, the success of the Communist Party of Great Britain in attracting middle-class and upper-class intellectuals "had less to do with the indigenous work of the CPGB than with the proclaimed achievements of the U.S.S.R. in the Five Year Plan as a spectacular example of directed social reconstruction and rational application of scientific technique" (Thompson 1992, 51). Cambridge soon became the epicentre of socialist activism, under the tutelage of economist Maurice Dobb (Wood 1959, 84-6). Among the many British intellectuals attracted to Soviet Marxism during that time, scientists constituted a sizeable share[17]. More than half of the editorial board of the *Modern Quarterly*, perhaps the most distinguished journal of Marxist thought in Britain, were members of the social relations of science movement, including J.B.S. Haldane, J.D. Bernal, P.M.S. Blackett, and Joseph Needham (Paul 1983: 2). In fact, no left wing movement in the West ever became so

[17] C. P. Snow in his first-hand account "Rutherford and the Cavendish" estimated that a poll of the two hundred brightest physicists under the age of forty in 1936 would have revealed that "about five would have been Communists, ten fellow-travellers, fifty some-where near the Blackett position [noncommunist, but activist and fairly far left], a hundred passively sympathetic to the Left. The rest would have been politically null, with perhaps five (or possibly six) oddities on the Right" (Snow 1960, 248).

obsessed with the scientific road to socialism than the one established in Britain in the 1930s (Werskey 1978, 178).

In a different way, the Soviet example had also been significant in France where, beginning in 1930, Jean Perrin began a campaign to recognize scientific research as a separate profession in the civil service. Established in 1935, the *Caisse Nationale de la Recherche Scientifique* (CNRS) assumed a leading role in the distribution of funds for research. Irène Curie, followed by Jean Perrin, accepted an appointment in the Popular Front government to the newly created position of deputy minister for scientific research. There, she managed to significantly increase state research allocations. By 1939, the CNRS was responsible for supporting, fully or partially, approximately 600 salaried researchers, making up about half of all academic scientists in France (Kojevnikov 2008: 124).

Impressed by the achievements of the French scientists to gain a position of influence in the Popular Front, socialist scientists hoped for the same fate for British science. Bernal was especially struck by fellow-Communist Paul Langevin's example of putting his ideals of social justice as a citizen ahead of his achievements as a scientist (Brown 2005, 125). Modelled on the *Comité de Vigilence des Intellectuels antifascistes* founded in France in 1934, Bernal had been instrumental in the creation of a group called For Intellectual Liberty (FIL) in 1935, which reached a membership of 600, and appointed Aldous Huxley as its first president. Both Bernal and Blackett exhorted their fellow scientists to commit to the progress of society and to "become a politician" because "the work of science does not end in the laboratory" and "no scientist can afford to remain neutral" (Bernal 1939, 397, 403, 404). In this regard, the Association of Scientific Workers dismissed the neutralist position of the Royal Society and its officers, particularly that of A. V. Hill (see *supra*),

and agitated the scientific community from the bottom up.[18] The political activism of the Association distanced it significantly from other bodies, mainly the Royal Society and the British Association.

The social relations of science movement

The radical wing of the Social Relations of Science movement found the most forward and detailed exposition of its views in the indefatigable work of Cambridge crystallographer J. D. Bernal. The publication of his 1939 opus *The Social Function of Science* (Bernal 1939) represented a systematic attempt to integrate the current conditions of scientific research in a political, and markedly ideological, vision of the future of science in a socialist society. The concerns that dominated the writings of other Marxists of the era scarcely appear in those of Bernal and his fellow scientists. Their primary focus was Marxism as a scientific hypothesis, and the ways it could be applied to science as a social activity. They believed that Marx had produced the first genuine scientific theory of history, which was enshrined in dialectical "laws," whose ontological germaneness to the practice of natural science was obvious (Paul 1983: 3). In his 1936 book *Soviet Science*, J. G. Crowther gathered the common assumptions held by the social relations of science movement vis-à-vis Marxism as follows:

> "The social philosophy of Western Europe has roots deep in a pre-technological era. The social philosophy of Soviet Russia, dialectical materialism, is founded on modern physical and biological investigations. Natural science is an organic part of Marx's philosophy. Consequently, a social system established according to the principles of his philosophy must be founded on technology and science, and the scientific mode of thought must permeate the intellectual activity of its governors" (Crowther 1936, 14).

[18] In a not so disguised pique against the Royal Society, Bernal later identified the "gerontocracy" of High Science as "the greatest factor in holding up the advance of science" which he attributed to the maldistribution of funds and the lack of coordination (Bernal 1939, 391).

This scientistic view of Marxism framed the core epistemological commitments shared by this loosely knitted group, and reflected the influence of Hessen's ideas. First, they rejected the idea that pure science existed in isolation, outside of material needs upstream and of practical applications downstream. Secondly, they posited that the aim of scientific labour was essentially to increase human welfare, and that this ambition remained alienated from its emancipatory promise as long as its benefits were privatized by capitalism. Finally, scientific planning, as applied to the organization of science and society, would liberate them from stasis and immobility and propel them into a socialist and scientific age.

The impurity of science

Edward Shils remarked that the 1931 Congress had "led an important bloc of British scientists to support the Marxist theses that all scientific work, however 'pure' it might appear, is a witting or unwitting response to the practical problems confronting the society or the ruling classes of the society in which the scientists live" (Shils 1947: 80). The "new vistas" opened up by the Russians in London, had effectively articulated a latent feeling of helplessness among young progressive scientists. They embraced the importance of the history of science in propagating an externalist view of the practice of science: science no longer confined itself to the laboratory, and scientific advances did not result from the serendipitous achievements of brilliant genius. Instead, these were an integral part of the history and development of society. In their view, there existed nothing like "pure" science which could claim an autonomous existence. A detached and internalist conception of the scientist's trade was resolutely criticized:

> "The time has gone when the scientist could legitimately separate himself from the rest of his fellow-men *in the belief that his scientific interests were his own and that they affected no one*. […] [T]his generation, living in a world of electrical devices and of industrial disorganization, is being taught by bitter experience that it is disastrous to keep science and its industrial applications in water-tight compartments. *The scientist*

> *and his work cannot be separated from the rest of his changing universe. Science has social roots and social consequences*" (Levy 1933, 38-9; my emphasis).

The social relations of science movement believed that even the most theoretical advances of science were either implicitly answering to the needs of society, or would soon find practical or commercial applications. Furthermore, they took scientific research to be the true engine of transformation in society, with pure science not at the top, but acting as a bridging link in a continuous dialectical movement between science and society. As a consequence, pure science pursued for itself was denounced as a bourgeois and outdated practice, or just another feature of the capitalist superstructure.

In his 1939 book, Bernal wrote that pure science was "a form of snobbery," "an escape," "an amusing pastime;" it had all the qualities which make millions of people addicted to crossword puzzles or detective stories. For the established scientist, pure science had become "ornamental," "a game," "a quite useless outgrowth of civilized society." Even worse, the psychological attitude of scientists devoted to pure science led them to "a cynical admission of the complete futility of science itself, an attitude which expresses itself in theories attempting to prove the impossibility of exact knowledge and the failure of determinism or even a simple causality" (Bernal 1939, 96-98). The internalist view of the work of science in the 19th and early 20th century had constituted a repudiation of "any organic connection between science and society" and relied on an outdated vision of how science worked (*ibid.*, 390). Inefficiency was the result of the privilege awarded to pure science, where research was conducted on the basis of curiosity, and only then applied to industry on the grounds of its profitability, a process which reflected the general inefficiency of the capitalist system.

In the end, the view that science could ever be working in isolation to the external world was a myth. Its own specific needs depended on societal and political conditions for their fulfilment:

"Those who claim that science can be aloof are usually thinking of what is often called "pure" science—but a clear distinction between pure and applied science is impossible to draw, and, though, some of the more abstract branches of a science may be sometimes temporarily immune from political matters, such immunity is very superficial" (Blackett 1975[1935], 131). Left-wing scientists brought to light the dependency of the intrinsically social and political nature of research activities on the public funding of society, and the ways in which the results of science become subject to public appraisal. The full-spectrum of scientific labor, from the classroom to the laboratory, from training to invention, was determined by the relations it entertained with its social environment.[19]

The frustration of science

Partisans of the social relations of science movement had largely assimilated Hessen's hypothesis that the discoveries of Newton, or Galileo, were tributary to the social and economic conditions of the time (Bernal 1975, 43). The Industrial Revolution had radically altered the scope of science, and its place in society, whose amateur beginnings had been overwhelmed by "large industrial monopolies and by the State" and led to an "uncoordinated and haphazard" development resulting in "a structure of appalling inefficiency both as to its internal organization and as to the means of application to problems of production or of welfare" (Bernal 1939, xiii). The frustration of science by capitalism was two-fold: capitalism disrupted the complete publicity of research by introducing competition, and it withheld potential benefits by a lack of coherence in the application of

[19] Bernal concluded that science only achieved its aims once practical applications had been implemented: "The complete circle of scientific activity is not closed with the making of a discovery; it is only closed when that discovery is fully incorporated, both as an idea and as a practicable application in contemporary society" (Bernal 1939, 322).

discoveries. Only by awakening within scientists themselves a consciousness of their historical and social position, could they emancipate themselves from this position of alienation.

The "spontaneous growth" of science had placed it at the service of an irrational organization: funding was inexpertly distributed, and competition among laboratories devalued the common enterprise of research. Publications in particular were increasingly generated for economic motives, a trend which reflected the "unnecessary struggle for existence that goes inside the scientific world" (Bernal 1939, 118). Competition between scientists, driven by economic necessity impeded the rate of discovery instead of rewarding dedication. Profitable applications directed the production of knowledge at the expense of society's welfare. Bernal's view, and with him that of the Association of Scientific Workers, was that the economics of science were not "strictly compatible with that of a profit-making society" (*ibid.*, 100). Scientists, left to themselves, were not prone to developing useful applications of their discoveries,[20] whereas capitalism led to an actual regression, introducing competition and profits "when what is really needed is more science applied to the convenience of living instead of to profit-making" (Bernal 1975, 60). To fulfil its promises, science had to overcome both *laissez-faire* capitalism and popular scepticism: only in an "organized world" could scientific efforts not be diverted by trade and war, but be used to improve life of all (*ibid.*, 69-70).[21]

[20] Bernal writes: "The actual achievements of applied science and techniques, as great as they seem, should not hide the fact that they represent but a fraction of what could be done by utilizing existing technical knowledge and an infinitesimal part of what the new theories of the twentieth century could do, if and when they are applied" (Bernal 1935, 50).

[21] Bernal thought that only unlimited funding could actualize science's potential, with "sums limited only by the ability of existing scientists to spend them" (Bernal 1939, 314). This radical solution was absolutely anti-economical, removing science both from scarcity economics and from competition. As a result, Bernal, like Polanyi, was a strong adherent of the linear model of technology, where the money poured at the top by the state transformed itself into a proportional amount of innovation and discovery (Mirowski 2011, 50).

Since the practice of science represented a social *praxis*, left-leaning scientists thought it was the direct responsibility of the scientist – *qua* responsible citizen – to spread this scientific point of view among the laymen.[22] Blackett reasoned that the scientist, who had himself contributed to bringing about the "paradoxical situation in which so many starve in the midst of so much plenty," "is very directly affected by the social organization of which he is a part and that he *must* therefore be directly concerned with the great political struggles of the present day" (Blackett 1975[1935], 130). Akin to the bourgeoisie in Marxian history, scientists, having contributed to the rapid expansion of capitalism and the mechanization of industry, now had a moral duty to self-reflexively adopt socialism as the best way forward for science in society: it was "no longer possible for the scientist to remain outside" (Bernal 1939, 397). Bernal, then president of the Association of Scientific Workers, explicitly held that scientists were at the vanguard of the rationalization of society, and that they ought to join the ranks of the popular front. In the shadow of fascism, an adherence to science and scientific ethics commanded one to adopt a radical stance: "Capitalism is its later stages is incapable of bearing objective examination; the scientist must therefore hold his tongue or lose his place" (*ibid.*, 221).

Left scientists were not only arguing for a better integration of the scientist in society, but for the societal adoption of a wholesale scientific method of observation, analysis, and exchange, as an inspiration to the resolution of political conflict (Levy 1933, 46). The educational system still privileged "humanistic rather than scientific values" with its most eminent products embodied by the classical "man of letters" (Paul 1983: 4-5). Bernal, criticizing the "pre-scientific" attitude of the

[22] The reformist ambition of science is describes by Levy as follows: "Since the object of all scientific institutions is to make discoveries which must affect belief, social institutions, hindered by vested interests which have grown up around them, must always lag behind the newer knowledge and offer resistance to its acceptance. The history of science provides the evidence that this statement is no theory. *Science by its very nature challenges the idea of fixity of belief, and in virtue of that very fact is always in revolt*" (Levy 1933, 55; my emphasis).

masses, held education to be largely responsible for the spread of fascist ideals, as well as for the isolation felt by scientists (Bernal 1939, 90). On the other hand, the acceptance of a scientific point of view "carries with it an implicit criticism of the present state of man and opens the possibility of its indefinite improvement. The developing and spreading of these ideas must be the work of the scientists themselves" (*ibid.*, 385). Hyman Levy and Julian Huxley (1934) had been keen to relay this call for the extension of the scientific method to all spheres of social life.

The new social relations outlook constituted a harmonizing force between individual aspirations, and the conduct of public life: "Since we must live together we shall have to find a common basis of conduct arising out of accepted and agreed beliefs. Belief resting on scientific fact is, so far, the sole method of approach to knowledge which enables unanimity of assent to be won" (Levy 1933, 103). Levy and others believed that their scientistic approach evinced a powerful progressive inclination, discarding the "false traditions and baseless superstitions" of the past (*ibid.*, 104). Through enlightened educators, the scientific method of discussion and verification would seep into society, ultimately freeing people from prejudice, and carving "a new future for mankind" (*ibid.*, 106). As I have shown, scientists pleaded to reform school and university curricula, awarding science and the scientific method the same importance it had in the Soviet Union. The lack of a scientific culture in Britain made the "scientific politics" they promoted sound more like science-fiction and less like rigorous policy. The improvements they demanded depended upon a scientifically literate public, and some scientists devoted considerable energy to preparing and writing books, press articles, and popular lectures which would be accessible to the lay audience.[23]

[23] Among these popular science books, Lancelot Hogben published the highly successful *Mathematics for the Million* (1936) and *Science for the Citizen* (1938).

Indeed, at a broader level, these committed scientists thought of themselves as the indispensable mediators between the science of planning and the planning of society.

The communism of science

Whereas radical scientists often distrusted the planning options put forth by industry leaders (see chapter 2), they associated economic reform with an increased place for science in the running of society. In his "Frustration of Science" broadcast, Blackett drew a direct connection between the misuse of science in capitalism and the growth of Fascism: the chaos of disorganized production had sown the seeds of popular discontent towards politics and the economy. For Blackett, Fascism offered a deceptive solution: a seemingly planned state in which competitive industries were regulated. "Planned Capitalism," he concluded, "is an attempt to have something without its essence, like trying to run a steam-engine without steam" (Blackett 1975[1935], 142). Since the future pointed inevitably towards a more organized world, the choice merely consisted of an alternative between Fascism and Socialism:

> "I believe that there are only two ways to go, and the way we now seem to be starting leads to Fascism; when it comes to restriction of output, a lowering of the standard of life of the working classes, and a renunciation of scientific progress. I believe that the only other way is complete Socialism. Socialism will want all the science it can get to produce the greatest possible wealth. Scientists have not perhaps very long to make up their minds in which side they stand" (Blackett 1975[1935], 144).

Equally for Bernal, the Soviet Five-Year-Plan beaconed an "appeal to scientists, way out of the confusion of present-day application of science," (Bernal 1939, 393) prophetically announcing that "the socialized, integrated, scientific world organization is coming" (*ibid*., 409). Conscious that this promise could be disquieting to some, Bernal advocated a democratic model of management in the laboratory that guaranteed the free association of scientists, whose function would be to preserve freedom of inquiry in a larger framework of societal demands: "at all costs, science must be

prevented from becoming a hierarchic orthodoxy" (*ibid.*, 278). Despite contradictory evidence, he insisted that the freedom of the scientist in a planned system was not at risk, on the contrary, it was only there that it could be fully realized.

This posited affinity between the nature of scientific work and the planning of society represents a significant example of the epistemological transfer between the sociology of science and social theory. For Bernal, scientific work came to represent the archetype of communism realized, one which society should embrace at large. Liberalism was the method of chaos, hindering the use of knowledge in society through the application of a resolutely unscientific method, one which had been "spontaneously grown" and corrupted by profit-making. Furthermore, the full efficiency of science depended upon the instauration of a socialist economy since "science has been at all times *a commune of workers*, helping one another, sharing their knowledge, not seeking corporately or individually more money or power than is needed for the pursuit of their work" (Bernal 1939, 323). As a result, the principles of communism offered an accurate reflection of the collaborative methods used by scientists, whilst putting a premium on applied science as the logical output of pure research. This newfound amalgamation of a materialist outlook, cooperative action, and social order, made science isomorphic to communism:

> "In the practice of science we have the prototype for all human common action. The task which the scientists have undertaken – the understanding and control of nature and of man himself – is merely the conscious expression of the task of human society. […] [I]n its endeavour, science is communism. In science men have learned consciously to subordinate themselves to a common purpose without losing the individuality of their achievements. Each one knows that his work depends on that of his predecessors and colleagues, and that it can only reach its fruition through the work of his successors in science, men collaborate not because they are forced by any superior authority or because they blindly follow some chosen leader, but because they realise that only in this willing collaboration can each man find his goal. […] Facts cannot be forced to our

> desires, and *freedom comes by admitting this necessity* and not by pretending to ignore it" (Bernal 1939, 415-416).

Bernal's analysis of the position of science was tainted by the "new vistas" opened up by the Russians in the field of the history of science in 1931. The assumption that science was communism in action carried with it a peculiar understanding of freedom as the understanding of necessity, a view which reflected the grip of deterministic explanations borrowed from the natural sciences on our own lives.[24] For Bernal, the development of science obeyed the same dialectical laws as the development of society; ultimately, the freedom of science was an ideological construction wrought out of an idealist conception of the formation of thought itself. Since discovery and the use of knowledge were bound by the material necessities of their time, the scientist and his genius were only instruments in the larger conflict of forces which framed his historical and social position. Bernal, among others, was very enthusiastic and optimistic about the capacity of dialectical materialism to pave the way towards a scientific future: "the Marxists have some way of analysing the development of affairs which enable them to judge far in advance of scientific thinkers what the trend of social and economic development is to be" (*ibid.*, 414). For Marxist scientists, this represented a historical consciousness fully developed, one where the social world carried enough self-knowledge to be able to predict and plan its own future direction.

[24] Bernal's historical reconstruction follows these lines: "The great change, of which we are now witnessing the first stages, between a social life bound on traditional techniques and one bound on science will certainly be reflected in an entirely different attitude towards freedom. The freedom of the nineteenth century was a seeming thing. It was an absence of the knowledge of necessity. Its basis lay in social relation through a market. In liberal theory, every man should be free to do what he liked with his own, buy or sell, work or idle. In fact, he is tied by the iron laws of economics: laws socially produced but taken as laws of nature because they were not understood. In an integrated and conscious society this conception of freedom is bound to be replaced by another – *freedom as the understanding of necessity*. Each man will be free in so far as he realizes that he is taking a conscious and determinate part in a common enterprise" (Bernal 1939, 381-2).

Throughout their works, the social relations of science movement drew robust conclusions about the place of science in society, the crippling effect of competition on research (particularly applied research), and the necessity of organization to ensure maximum output. Only after the history and function of science were properly understood could a conscious plan to transform our material world be enacted. The past causes of the growth and decline of scientific advances, and our lack of understanding thereof, determined our efficient use of science in the war against fascism (Nye 2008, 245). Each discovery was socially produced, and science, as the most advanced organization of thought, had to show initiative by becoming the self-critical "brain" of society.[25] In this regard, planned socialism represented the pinnacle of the integration of science's output into the realm of human welfare. Only with socialism could science take its proper place as the midwife of social reform, organically spurred by material needs to provide remedies for social ills.

Bernalism had linked together planning, the social role of science, and communism, three elements which had already been strongly refuted by Polanyi in 1939. Defeating this view "became one of the essential aims in Polanyi's intellectual and political life around 1940" (Nye 2011, 184). The publication of *The Social Function of Science* was pivotal for two major reasons: it brought to light his intuition that a scientific and a liberal order were analogous, and it sparked the institutional creation of the Society for Freedom in Science to support this view. Superficially, the two protagonists used radically different assumptions to interpret the rightful work of science. Yet, early neoliberalism began precisely with the premise that social theory could be reconstructed in accordance with an epistemological model. Both Bernal and Polanyi embraced the view that knowledge and society entertained deep links, and that the practice of science was dependent on

[25] Mirowski remarks that: "If historical justice ever triumphed, then the British crystallographer J.D. Bernal would be credited with the invention of the economics of science, but this will never ever happen, because Bernal was an unreconstructed Marxist" (Mirowski 2010, 49).

social conditions, whether in a communist, or in a liberal regime. This stage is an important one for the formulation of neoliberalism as it was there that epistemological propositions first doubled as political arguments over the best form of government. Whether hubristic scientism or salutary ignorance, the road to serfdom or the open society: from then on, these two issues became synonymous.

PART 3. MICHAEL POLANYI: ANTITOTALITARIAN CHEMIST

Michael Polanyi's part in the creation of neoliberalism is an unlikely one. A polymath twice exiled, his fate belonged to that of the exceptional generation of Hungarian scientists born at the turn of the century (Frank 2009, 2010). During his education in Budapest, Michael Polanyi's brother Karl founded the Galileo Circle, while his close friend Oscar Jászi was the editor of the first scholarly review of sociology and political science: *The Twentieth Century*. Around this time, Michael Polanyi met Karl Mannheim and Georg Lukács in a Sunday circle led by Béla Balázs, whose objective was to hold discussions on ethical problems in literature (Scott and Moleski 2005, 41). The Polanyi brothers took part in the short-lived radical government which succeeded the monarchy after World War I, hoping to transform Hungary into a liberal and multinational republic. However, after the equally short-lived Hungarian Soviet Republic led by Béla Kun, Polanyi was removed from his post at the University of Budapest by the Horthy regime in September 1919, and he relocated to Karlsruhe. Eventually, in 1920, he accepted a position in Berlin at the Kaiser-Wilhelm Institute.

In Berlin, Polanyi thrived as a chemist in Fritz Haber's laboratory, which received substantial grants from the Rockefeller Foundation for new equipment and foreign guest researchers (Nye

2011, 62-4).[26] Polanyi's experience of scientific freedom in Berlin, whereby tightly-knit scientific communities autonomously decided on their own line of work thanks to generous funding from private and public donors, became the crucial experience on which he would model his ideal of science (Nye 2007; 2011, 83-4). J. G. Crowther, reporting for *The Manchester Guardian*, was struck by the atmosphere he found in Berlin-Dahlem, noting a "division of the high intellectual life from the brutal rumblings underneath" (Crowther 1970, 66). In his view: "the scientist's vaunted freedom from society and politics was an irresponsible and dangerous flaw in German scientific life, while for Polanyi, this alleged autonomy was a strength to be maintained" (Nye 2007: 434). Polanyi's personal experience of the workings of science in Berlin "led him to sociological explanation, rather than logical explanation, for the mechanism by which scientific priority and recognition are accorded within the structure of scientific authority" (Nye 2012-13: 9-10). He interpreted this scientific independence as a form of trust, whose direction led from society towards its scholars, and whose task was the search for truth, regardless of social imperative.

Like Friedrich Hayek, Polanyi emigrated in the early 1930s, arriving in Manchester in 1933. He had left his laboratory in Berlin dissatisfied with his fellow scientists' lack of public engagement, particularly that of Fritz Haber, regarding the dismissal of their Jewish colleagues. The context into which Polanyi established himself in England was marked by the economic crisis and the hesitant political response to it. As the decade progressed, Polanyi gradually lost interest in chemistry and scientific matters and became preoccupied with the political and social determinants of the pursuit of free science. Around Easter time in 1935, Polanyi undertook a trip to the Soviet Union with his

[26] It is relevant to note that the Rockefeller Foundation funding devoted to physical chemistry was reoriented towards biochemical and medical research in the mid-1930s, especially quantitative work in biology (cf. Nye 2011, 134). The Foundation kept subsidizing Polanyi after his move to Manchester, although on a smaller scale. One of the beneficiaries of this change of policy would be Lancelot Hogben, whose chair in social biology at the LSE was heavily funded by the Foundation. Hogben, also a popular science writer, would be one of Hayek's most vocal adversaries at the LSE, and one of the many "men of science" Hayek would denounce during the war. On Hogben's politics, cf. Werskey (1978, 161-166).

Japanese collaborator, Horiuti, in which they would present their joint effort on the mechanisms of proton transfer (Scott and Moleski 2005, 154). There, he met with Bukharin, the leader of the 1931 delegation to the London Congress, who explained to him that "the distinction between pure and applied science made in capitalist countries was due only to the inner conflict of a type of society which deprived scientists of the consciousness of their social functions, thus creating in them the illusion of pure science" (Polanyi 1939: 176).[27] Bukharin, as well as his admirers in England, saw no contradiction between a comprehensive planning of science, and the limits posed on the freedom of scientific research. Planning was to be regarded as "a conscious confirmation of the pre-existing harmony of scientific and social aims" (*ibid.*: 177).

Polanyi loathed the assimilation of the aims of science with those of social reform, and lamented that "in Marxism, a distinction between pure science, which seeks to find truth for its own sake, and the application of science to practical purposes is not admitted because all intellectual processes are assumed to be equally determined by the mode of production of the material means of life" (Polanyi 1939: 176). For Polanyi, the epitome of the displacement of truth for propaganda's sake was Lysenkoism, whose perils he would successfully help to publicize, and where his eventual decision to write publicly about the nature of science can be traced back to (Nye 2011, 210). This antagonistic experience with the Soviet system and its supporters in England was the decisive political experience which paved Polanyi's later path. It crystallized his latent intuitions about the nature of science, and prompted their expression in the public arena.

Like other early neoliberals, the key factor in Polanyi's engagement with liberalism and the politics of science lay in the peculiar political situation of the day, and his disagreements with fellow

[27] The significance of this conversation for Polanyi's intellectual development was such that this anecdote opened his book *The Tacit Dimension*, published 27 years later in 1966.

scientists' proposed solutions. Whether at home or abroad, these discussions took place in a context where the position of science in society was being increasingly politicized. In the same manner as the social relations of science movement, Polanyi's epistemological intuitions were interwoven with his vision of the place of science in society, that is, his liberal account of scientific practices rooted in firm opposition to the planning and collectivization of science. In the course of his engagement with planning of the economy and of science, he elaborated his own particular brand of liberalism, centred on the defence of what he called "public liberties."

Clarity and opacity in a liberal economy

Polanyi published his first economic pamphlet in 1935 (Polanyi 1936a). It consisted of a detailed study of Soviet statistics, showing the failure of the Communist Party to reach the objectives set by the quinquennial Plan. One of the first works of its kind, it was informed by Polanyi's own observations during his visits in 1928, 1931, 1932 and 1935, as well as available statistics from the Soviet Union (Scott & Moleski 2005, 150). Herein, Polanyi insisted on the failure of the Soviet Union to provide better living conditions for its citizens, something which contradicted the claims found in the enthusiastic reports of his fellow scientists. He bemoaned the lack of improvement in the supply of basic foods and housing, and was struck by the persistently high death rates, despite the efforts of the Soviet government to increase the number of doctors and hospitals (Polanyi 1936a, 12). His most important claim, however, was inspired by Austrian economists: that market prices were the unavoidable indicators of relative utility and efficiency (see chapter 2). The real issue with Soviet economics remained its centralizing tendency, which acted as an obstacle to a streamlined chain of production: one set of instructions perpetually replacing the other; so much that "the plan for 1933 was finally endorsed on Jan, 4th, 1934" (Polanyi 1936a, 19). All in all, Polanyi did not see planned production as a substantial improvement upon a free economy: the objectives

of the first Five-Year-Plan had not been fulfilled at all, and no actual increase in production was seen. All along, the tone of Polanyi's text is one of defiance against the propagandist message (in the U.S.S.R. and in the U.K.) that the Plan had been a resounding success.

On the other hand, Polanyi admitted to being struck by the high morale of the population. Hopes of personal success through continuous education and promotion kept the possibilities of social advance open to all. These ambitions were supported by an improved curriculum and a "pioneer spirit." Nonetheless, the intensive use of propaganda to secure popular loyalty was a novel and dangerous instrument, insofar as the State absorbed all the public efforts of citizens, and secured their loyalty by providing them with daily displays of "public emotion" (Polanyi 1936a, 23). Contrary to this eagerness of spirit, Polanyi observed that liberalism suffered from a lack of public support, because it did not rally the masses behind an explicit collective purpose at the helm of social activity. He contrasted the "vivid forms of social consciousness" he observed in the Soviet Union, which were "invariably destructive," with the opaque mechanisms of liberalism, which citizens "fail to comprehend" (Polanyi 1936a, 24). The lack of comprehension of the market system by the mass of workers in industrialized countries lured them into imagining manipulative forces in the dark, and to seek the deceptive transparency particular to state-controlled economies. For Polanyi, the market economy concealed an advantageous disharmony between its elements that demanded to be explained pedagogically if it was to gain public support. Educating his fellow Englishmen about the hidden workings of the economy, and attempting to demystify what appeared to be a complex chaotic system, became Polanyi's next task.

Economics was far from foreign to Polanyi, as the interest ran in the family. His brother Karl became a prominent economist during his years in Red Vienna, going on to write *The Great Transformation* during WWII. During his time in Berlin, Polanyi convened a weekly study group which brought together natural scientists and economists at the Kaiser-Wilhelm Institute's

Harnack House. John Von Neumann, Leo Szilard, Eugene Wigner, all instrumental to the development of the Manhattan Project, attended.[28] Also present were personal acquaintances Jakob Marschak, and Gustav and Toni Stolper, all of them economists.[29] Gustav Stolper was the editor of the *Deutsche Volkswirt,* to which Polanyi contributed an article in May 1930, and which featured regular discussions of the ideas of Austrian economists, such as Mises, Hayek, and Schumpeter. Polanyi's multiple trips to the U.S.S.R. had arisen his curiosity as to the theoretical foundations of economics in a planned and free economy. Above all, he took a special interest in unemployment, as he thought this was the root cause of the rise of totalitarianism across Europe.

Once in Manchester, Polanyi became a regular visitor at the Economics Department, where he befriended John Jewkes, who would later become an ardent anti-planner and founding member of the Mont-Pèlerin Society (Scott and Moleski 2005, 158-60). Drawing from his experience in the Soviet Union, Polanyi was critical of the rise of public "fallacies" regarding economics, fallacies which were congenial to the increasing "perplexity" felt by laymen. Calling it "a gravely deficient philosophy," Polanyi explained that the rise of Communism and Fascism was a reaction to the failures of *laissez-faire*. The utilitarian free-market had fallen short in answering the moral contradictions of a society bound by a public spirit of debate and, at the same time, a private motive of acquisitiveness. Furthermore, the theoretical sophistication of economic science had alienated the general public and allowed for more simple and "vivid" forms of consciousness to gain their

[28] Cf. Frank (2009) for the emigration of refugee scientists and Palló (2005) for their implication in the Manhattan Project.

[29] 18 years later, Polanyi added a note to his 1930 diary (Scott and Moleski 2005, 122): "The *Arbeitgemeinschaft* [study group] has borne all kinds of fruit. Von Neumann has written a book on Games and Economic Theory. Szilard and I have become Professors of Social Science. I remember others of the circle: F. London, Wigner, Marschak, the Stolpers."

assent. A lack of understanding of the modern economic system had bred resentment and suffering, and the revolt against the present system was simmering.

The therapy Polanyi prescribed to democracies was to foment "a popular understanding of economic matters:"

> "For no real devotion is possible to daily work which is involved in *a conundrum of perplexities.* No man can be satisfied by thinking of himself only; robbed of *clear consciousness* of his relations to those with whom he actually co-operates, he feels that the *complex structure* which thus isolates him is bad, inhuman, revolting."[30]

Taking it upon himself to correct the situation, Polanyi proposed to create a film which would explain the workings of the economy to the lay audience. Since his years in Berlin, Polanyi had sought to draw up a model of the economic system that could be easily circulated and taught. In 1936, he devoted some time and laboratory space to the construction of a physical analogue of the economic system, using a conveyor belt to express his ideas concerning the circulation of money.[31] He eventually opted for the production of a motion picture, praising the enlightening medium of film which allows for "a complex structure that cannot be seen" to be understood. Otto Neurath's pictorial statistics and isotypes had paved the way forward for the reshaping of the common economic consciousness, and towards a better assimilation of complex phenomena (Burke 2013). Polanyi was optimistic about the educational impact of such a film on the lay masses, hoping it would turn them away from central planning, and restore their confidence in a market economy. Instead of the "nightmares haunting us now," an "enlightened public opinion," informed by symbolic representations, would reactivate civic virtues, and insufflate a "keen spirit of inquiry:"

[30] Michael Polanyi "Notes on a Film," Polanyi Papers, box 25, folder 10; my emphasis.

[31] An idea which would be successfully exploited by Bill Phillips who created the Monetary National Income Analogue Computer (MONIAC), or Phillips Machine in 1949, to model the national economy of the United Kingdom.

"a social consciousness would arise, encompassing all our activities, offering a basis for fruitful controversy; thus reconquering the foundation of freedom."[32] Through the semiotic properties of the motion picture, "we should see our social life symbolically projected, happening before us on the screen on an artistic plane of its own, directly significant."[33]

Polanyi's economic ideas were inspired both by Keynes and the Austrians, in an attempt to synthesize free-market mechanisms with regulative state intervention. In his motion picture, he intended to depict money as the voting cards of producers and consumers, through which they regulated goods to be produced or dismissed. The dialectic of marketing and consumption was "the most democratic representative system of self-government" whereas "so-called planning […] makes arbitrary decisions about what we ought to do for ourselves."[34] Polanyi's economic liberalism thus relied on publicity: the same way researchers co-ordinated their activity through the publication of their works, such was the role of prices—to act as a public co-ordinator of innumerable individuals. His aim to "embed reliable knowledge of the economic mechanism into the general consciousness" (Scott and Moleski 2005, 162) entailed that the public intelligibility of the price mechanism be the only way to appease the search for more direct and noxious remedies by the masses, including central planning.[35] To this end, Polanyi envisaged a society so transformed by this new wave of education, that the "promise of liberalism" would finally be achieved.[36] The transparency of economics which had been achieved in the Soviet Union through

[32] Michael Polanyi "Notes on a Film," Polanyi Papers, box 25, folder 10; my emphasis.

[33] Michael Polanyi, "Visual Presentation of Social Matters," Polanyi Papers, box 25, folder 9.

[34] Michael Polanyi, "Visual Presentation of Social Matters," Polanyi Papers, box 25, folder 9.

[35] As he wrote to one of his close Manchester colleagues in June 1935: "my faith in the moral of Humanity leads me to assume that if they could be led out of blindness, I mean literal blindness: inability to see their vital surroundings, this moral power would rise to the situation it now must fail to grasp. […] To find, present, and develop truth in social matters is the first revelation we require, a revelation which can be gained by a technique of seeing society and cannot be found without it. This is my obsession." Letter Michael Polanyi to Hugh O'Neill, 15 June 1935 (quoted in Scott and Moleski 2005, 162).

[36] Michael Polanyi's all-encompassing hope and vision for the emancipatory potential of his motion picture is carried in these notes: "the discovery of a symbolism which I believe will consist in moving picture writing, capable

public emotion and propaganda could be accomplished in liberal societies through reason and public education.[37]

Truth, propaganda, and the value of the inexact

The first blood Polanyi drew against Marxist intellectuals in the United Kingdom was a review of the "monumental apologia" of the Soviet Union published by Sydney and Beatrice Webb in 1935: *Soviet Communism: A New Civilisation?* (Webb and Webb 1935). After his numerous trips to the Soviet Union and his pamphlet on Soviet statistics, Polanyi rejected the Webbs' idyllic vision of the Soviet conception of democracy in which "the machine of democracy is kept in full swing, not indeed to give opportunity for expression of opposition views, but to let the people show their enthusiasm for the reigning party and to let them discuss how they could even more zealously fulfil its policy. Freedom today is drowned in popular emotion" (Polanyi 1936b: 105). The pretext of a widening democracy helped justify the spoliation of the peasants, as well as the control of local assemblies by Party representatives (*ibid.*: 111). Polanyi was particularly virulent about the failure of the Webbs to account for the pervasive police oppression in the U.S.S.R., of which Polanyi's niece,

of representing economic life will release us from fallacies and exasperation, and will create economic consciousness. A community conscious of its economic life will acquiesce to necessities of an industrial marketing system against which it now revolts in vain. Its energies will turn to an enquiry which will not desist until it has achieved full enlightenment. Enlightenment will create power to control the structure of economic life; a power which at present is nowhere. This power will reside with the community. The enlightened people will use their power to enforce publicity. Publicity will fulfill the promise of liberalism, freedom and co-operation" (Michael Polanyi, "Visual Presentation of Social Matters," Polanyi Papers, box 25, folder 9).

[37] The movie was completed by the end of February 1938, thanks to Polanyi's contagious enthusiasm, and the monetary support of some of his colleagues. Entitled "An Outline of the Working of Money," the first screening took place in front of the Manchester Statistical Society in March. This led Polanyi to give a course of six lectures on the mechanism of economics at the University Extension during the spring. The film was shown to student and professional groups, often receiving praise, even from economists. But it also found its way to Paris where Polanyi showed it to Hayek, Mises, Röpke, and others at the Walter-Lippmann Colloquium (see chapter 3). Despite some criticism, Polanyi was encouraged to work on a more ambitious version. With the help of Jewkes, he secured a grant from the Rockefeller Foundation to redo and enlarge the first version. After many delays, the new version premiered in London on April 25th, 1940. Because of a limited distribution and lack of interest in the U.S.A., Polanyi turned to popularizing economic ideas through another medium. In 1945, *Full Employment and Free Trade* was published, detailing Polanyi's own strategy for postwar Britain in an accessible language (Nye 2011, 164-5).

renowned ceramist Eva Stricker, would come to have a first-hand experience. The example of the forced exile of Trotsky and his followers, many of whom would lose their lives, squarely contradicted the Webbs' celebration of free speech in Soviet Russia (*ibid.*: 113-14). By lauding freedom and democracy in Russia, the authors exposed just how much did not add up in their portrayal of a truly functioning democracy.

The years which followed his last trip to the U.S.S.R, and the agitation of the social relations of science movement, were an important catalyst for Polanyi's view of science as a politically-dependent activity. This idea was further developed during his participation in the *Congrès du Palais de la Découverte* – an International Meeting of Physics, Chemistry, and Biology held in October 1937. His short review of the event published in *Nature,* was tainted by his political preoccupations, some of which were largely shared by other delegations attending the Congress. The meeting was dominated by the political situation in Europe and the fate of scientists in different countries, "bringing out one symptom after another of the world-wide struggle of international science with various local tyrannies" (Polanyi 1937: 710). Particularly conspicuous were the absence of a Russian and Japanese delegation, and the nationalist speeches given by German and Spanish delegates. It made visible "the new situation of science" wherein science and the independent search for truth were "destroyed when political liberty falls." In the struggle between truth and propaganda, if science had a social standing of its own, then it could not abide by temporal powers. This made it incompatible with totalitarianism, which Polanyi conceived as the alignment of all intellectual activity with one purpose. As a result, there existed "a common fate between independent science and political liberty" whereby "the link between science and liberty is completely reciprocal" (*ibid.*: 710). On the one hand, the ethics of truth prevented the spread of propaganda and the corrosion of liberal institutions. On the other hand, the superiority of liberalism was grounded in its continuous commitment to free discussion and controversy in

public life, something which was compromised in totalitarian countries. As a result, our trust in science mirrored our trust in liberal institutions as means to foster reason and liberty. On the contrary, science without freedom became an instrument of propaganda.

From this time onwards, Polanyi's preoccupations revolved around the defense of pure science and scientific freedom in a liberal order. In a brief letter sent to the journal *Philosophy of Science* (Polanyi 1936c), Polanyi suggested that the unpredictable behaviour of physical atoms paralleled that of human interactions and the functioning of institutions. He rejected a sharp distinction between the human and natural sciences: "the description of chemical substances and the art of dealing with them lies quite near, by comparison, to the types of human behavior and the art of commanding human behavior" (Polanyi 1936c: 234). Repudiating the positivist creed in exact values and laws found in classical physics, Polanyi emphasized the "value of the inexact" which makes those laws "only valuable in combination with the element of uncertainty in them, which is compensated by the supreme sanction of validity, which is faith" (*ibid.*: 233). Science exemplified and systematized the relationship between imprecision and belief, objective measurement and subjective acquiescence.

The positivist and scientistic creed disseminated by the socialist scientists presumed that history and society were determined by laws as exact as those found in the natural sciences. Nevertheless, since our knowledge of complex phenomena always entailed a share of imprecision in measure, it appeared "supremely unreasonable […] to claim that, by precise measurements and mathematical treatment, i.e. physical exactitude, a vital knowledge and command of such objects as living organisms and social bodies should be found" (Polanyi 1936c, 234). Beneath the transparency of exact laws and predictions lay the unpredictable world of behaviours, trends, and symbols. In response to the deterministic views of Marxism and positivist physics, Polanyi turned his mind towards this unaccountable element in scientific knowledge and human behavior**,** *an*

indeterminacy which he would spend the next decades fleshing out into a fully-formed philosophy of science. As someone who sternly defended truth and truthfulness against propaganda, yet embraced the inherent approximation at the heart of any exact truth, Polanyi's *post-positivist* epistemological position was precarious. Here, the progress of science was not a flight from human subjectivity towards an objective truth, but *a fiduciary commitment to scientific practice*, in which truth is reached in an intersubjective manner through shared methods and values.

What is today is seen as a classical defence of the mutual affinity between scientific and liberal ideals, was at the time a novel idea, particularly when set against the loud promises of left-leaning scientists of a liberation of science through planning and coordination. For Polanyi, a liberal order necessarily entailed a share of opaque complexity: it was the task of public intellectuals to explain why these arcane principles needed to be preserved. As such, this argument would not be spelt out in sharp epistemological terms before Polanyi and Hayek began corresponding, and elaborating a more principled defence of liberalism based on their respective intuitions regarding the role and place of knowledge in society. Already in 1936 however, Polanyi had begun examining topics which would come to define early neoliberal thought: he provided critiques of planning and objectivism, emphasizing the limitations of exact predictions and the paucity of reductionist explanations, and remarked on the inherent complexity of phenomena, both in the natural and social sciences.

PART 4. LIBERAL SCIENCE

The mounting pressure of war on Europe, and the continuous reinforcement of the social relations of science movement, exacerbated Polanyi's initial position. The original intention of his later

Personal Knowledge (1958) may be located in his evolution away from the practice of science towards the epistemology of scientific practices. Polanyi's answer to Bernal's book provided him with an opportunity to deepen his own approach to the problem, and brought to light his "liberal view […] concerning the relation of science and society" (Polanyi 1939: 177).

The inner liberalism of Science

Facing the popularity of economic and scientific planning in England, Polanyi acknowledged that there was a natural, yet fallacious affinity between scientific training and the aims of planning: "Planning as opposed to aimless drifting is the natural inclination of a purposeful scientifically trained mind. Modern engineering is an inspiration to grandiose planning" (Polanyi 1940, 28). Seemingly, it guaranteed a rational course of action, public gratification, and a feeling of benevolence towards intellectuals.[38] The apparent success of the Five-Year-Plan had created a strong impression of large-scale efficiency driven by rational coordination, at the price of embracing the "fundamental claim of the Collectivist State to dominate all mental efforts for its own purpose" (Polanyi 1940, 29).

Contra many in his time, Polanyi took the Soviet Union to be the country where thought was the most comprehensively oppressed, because of the total reach of its ideology (Polanyi 1939: 190). There, the orthodoxy of dialectical materialism ruled over independent thought in general, and scientific results in particular, had to receive the approval of the Party. In totalitarianism, one ideal must be sought, one voice must be heard, one authority must be followed: "the validity of all laws,

[38] Polanyi notes the cognitive affinity of the idea of planning with the mind of modern thinkers: "The idea of planning the whole cultural and economic life of a country from one centre has a profound appeal for the contemporary mind; it fascinates above all the intelligent, the energetic, the forward looking minds, and makes them contemptuous of traditional individualist liberty" (Polanyi 1940, 27-28). This argument is central to Hayek's sociology of knowledge (see chapter 4).

of science, of the arts, of religion must be suspended and their substance declared subect to summary revision by the State" (Polanyi 1941b: 455). The Lysenko-Vavilov affair had comforted Polanyi in this view: freedom of thought could not exist solely as an ideal, but required a series of institutions designed to protect it:

> "If […] it is admitted that the realm of thought possesses its own life, then *freedom is not only made possible but its institution becomes a social necessity.* Freedom is made possible by this doctrine because it implies that truth, justice, humaneness will stand above society, and hence the institutions which exist to cultivate these ideals, such as the Press, the law, the religions, will be safely established and available to receive complaints of all men against the State and, if need be, to oppose it. Freedom also becomes necessary because the State cannot maintain and augment the sphere of thought which can only live in pursuit of its own internal necessities, unless it refrains from all attempts to dominate it, and further undertakes to protect all men and women who would devote themselves to the service of thought, from interference by their fellow citizens, private or official whether prompted by prejudice or guided by enlightened plans*. The position of science in society is thus seen to be merely a special feature of the position of thought in society.* Its consideration is so important because it strikingly points to the general fact that society must cultivate thought and not attempt to dominate it—for fear of seeing it drowned in the morass of some eternally stagnant orthodoxy—and also because it shows how society, in order to perform this spiritual duty, *must grant to its citizens freedom to devote themselves to the sphere of ideas, and must secure them the right to appeal from its own commands to the superior judgment of this realm*" (Polanyi 1939: 182-83; my emphasis).

The institutions that Polanyi imagined for civil society did not stand in a hierarchical relationship to the higher authority of the state, but had a footing of their own, because the ideals they embodied were situated above temporal authority. Actual freedom was not solely instrumental in the pursuit of truth, it guaranteed the *possibility* for citizens to pursue a variety of spiritual aims. This epistemological continuum which ran from independent thought, to free science, to political freedom was only possible in a liberal state which acknowledged and protected the institutions that embodied intellectual and spiritual freedom.

As a result, science and liberalism grew conceptually isomorphic: they supported each other because they mirrored each other. This analogy was the basis of the "liberal" view of science, heralded by Polanyi. Whereas Bernal hoped to rescue the chaotic state of science by the planning of society along scientific lines, Polanyi envisioned society as a handful of independent spheres whose aims were carried out outside of political interference. Hence, the liberal state fosters "the cultivation of science" as "a public concern, in the performance of which the community is guided by scientific public opinion. […] *Science governs itself under the goodwill of Society*" (Polanyi 1940, 43; my emphasis). Instead of a central direction, Polanyi privileged a supervisory authority which would secure cooperation and coordination, without imposing a detailed plan from above. In fact, the state was not to be eliminated, but actively reshaped and decentralized: a liberal society entailed the supervision of independent organizations and public authorities by the state, which would provide a framework for their operation whilst preventing corruption (Polanyi 1940, 36). Those institutions, in return, posed constitutional limits on state authority. While Bernal defined freedom as the "understanding of necessity," Polanyi understood freedom as a method of coordination which sustained the exercise of these "public liberties."

Dynamic orders and public liberties

As time went on, the thrust of Polanyi's argument turned from a defense of pure science to a science of liberal order. Since the social relations of science movement questioned the relationship between thought, science, and society as a whole, Polanyi extended his liberal view of science "to other systems of ideas, which possess independent existence of their own, forming systems of consistent ideas, which can grow only in accordance with their own fundamental principles" (Polanyi 1939, 182). The fight for pure science embodied a small, but metonymic reflection of a

much larger civilizational struggle: "a secondary battlefield in a war against all human ideals" and "an incident in the totalitarian assault on all freedom in society" (Polanyi 1941b: 454).

By distinguishing "private freedom" from "public liberty," Polanyi based his criticism of totalitarianism not on its repressive nature, but on its nihilistic aims. Totalitarianism entailed the submission of all public activities to state control, and the absorption of society into a unified plan.[39] He defined personal freedom as "the desire to be left alone", an "entirely irresponsible" demand which "is put forward as a *personal right* of the individual" (*ibid.*: 430). Paradoxically, this type of freedom was acknowledged by liberal and totalitarian states alike, but liberals sought to encourage it as "a kind of liberty that goes far beyond the claims of personal freedom," a freedom "with a responsible purpose" (*ibid.*: 438). This was a freedom exercised, not as individuals qua individuals, but as individuals belonging to a diversity of orders, each with its own principles of actions and set of duties. It constituted "the claim of individuals to act independently for the benefit of society," the very thing which totalitarian states could not tolerate.

Polanyi believed that private and public freedom were mutually reinforcing, and that Liberalism:

> "recognises that privacy is the ground on which-amidst many purely personal matters—there germinate new ideas, which will eventually benefit the community. Irresponsible privacy, solitary habits, non-conformity and eccentricity are protected by Liberal society, because it sees in these the breeding ground of independent men: much needed for the public good" (Polanyi 1941b, 440).[40]

[39] This distinction is striking because it does not prefigure the more classic Cold War dichotomy of freedom given by Isaiah Berlin, the distinction between positive and negative liberty. Isaiah Berlin did not especially esteem Michael Polanyi's foray in political theory, famously quipping that "[T]hese Hungarians are strange […] here is a great scientist giving up the Nobel to write mediocre works of philosophy'" (in Nye 2011, 304). In many ways, Polanyi's argument, when combined with his later work in *Personal Knowledge*, offers a refutation of Berlin's attempt to negate the public dimension of liberty.

[40] One can recognize here a profound affinity between Hayek's admiration for the "man of independent means" as the sociological foundation for a liberal society and Polanyi's justification for a liberal order.

For their existence, public liberties demanded a set of supervisory institutions, a public opinion able to evaluate the results of the community, and an ideal to guide the activities of individuals. Scientific research was conceived as paradigmatic of the case where "a large number of independent activities can form a system of close cooperation" (Polanyi 1940, 42) in which the communication of results had the function of allowing for the coordination of independent minds. Since science was neither a comprehensive nor a foreseeable enterprise, it was impermeable to a central authority. "It is of the essence of science," Polanyi writes, "that it advances *piecemeal*, by extending knowledge wherever discoveries can be made and not with reference to a central problem" (Polanyi 1940, 44-5). The defense of science as pursued for its own sake, not for its practical applications, had a double implication: it relied on a trickle-down theory of innovation, and underpinned the scientist-as-genius model of science, which Polanyi had likely seen at work at the Kaiser-Wilhelm Institute in Berlin (Nye 2007). Central planning and direction were not impractical, but scientifically regressive; they were the denial of "that independence of thought of which modern science is the child and the representative" (Polanyi 1940, 46). In a brief letter to *Nature*, Polanyi declared concisely that:

> "science exists only to that extent to which the search for truth is not socially controlled. And therein lies the purpose of scientific detachment*. It is of the same character* as the independence of the witness, of the jury, of the judge, of the political speaker and the voter; of the writer and the teacher and their public*; it forms part of the liberties for which every man with an idea of truth and with pride in the dignity of his soul has fought since the beginning of society*" (Polanyi 1941a: 119; my emphasis).

The analytical distinction between these personal freedom and public liberties entailed an separation between two opposite kinds of order in society. A "planned order" or "corporate order," orgazined along vertical hiererchical chains of command, suits the execution of one man's idea where he alone "can evolve a strategy and policy and exercise powers of judgement of a high order" (Polanyi 1941b: 434). Such a planned order, however, is not able to carry out rapid adjustments

to changing conditions, since information must travel to the top, be processed, and the resultant decision sent back to the bottom levels. Because of this compartimentalization, information and knowledge are unable to circulate horizontaly, bringing inefficiency, administrative chaos, and eventually the collapse of the system as soon as its complexity reaches a critical level.

Besides corporate orders, there existed what Polanyi, following Wolfgang Köhler, called a "dynamic order," whose "best known example […] is that of economic life based on a competitive system of individual producers and consumers" (Polanyi 1941b: 435). In this case, individual actions on the market affect the price system, leading to further adjustments and retroaction. This dynamic order is achieved "by a series of *direct lateral adjustments* between individual producers making independent decisions" (*ibid.*: 436; my emphasis). Rebuffing the constructivist fallacy that everything ordered must have been designed, Polanyi showed that some orders resulted, not from a purposeful constraint upon freedom, but from allowing individual elements "to obey the internal forces acting between them" and reach "the equilibrium between all the internal and external forces" (*ibid.*: 431).[41]

This model of dynamic order represented a general template which Polanyi then applied to other fields, notably his approach to economics: "supervision in the case of individual economic desires is embodied in the machinery of commerce, operating through the market which keeps commercial ideas and information in universal circulation" (Polanyi 1940, 39). This argument bore many resemblances with Hayek's knowledge argument (see chapter 2): the division of labour and coordination occasioned by the market formed a system of indefinite complexity. On the contrary, a state "which is wholly responsible for the collective welfare and progress of its citizens must be

[41] This same chemical metaphors comprising the catallaxie and order of chemical molecules was equally employed by Rougier (1938) (see chapter 3).

dictatorial" (Polanyi 1941b: 455). Polanyi was particularly perceptive of the epistemological grounding which underpinned a market economy, something he had already hinted at in "The Value of the Inexact." Since no central control was possible, "as in the case of science**,** *the comprehensive view is not an essential view but a superficial view and an ignorant view*" (Polanyi 1940, 52; my emphasis). The state, simply, had *no point of view* from which to assess the economy. In this situation, the state must retreat to its supervisory role, by "controlling the standard forms of contract" and "by supporting the organization of markets which offer scope for public competition" (*ibid.*, 50). In this view, the market itself acted as a method of discovery: since there was no given system of needs for the economy to fulfill, the market possessed a heuristic function, revealing the needs and desires of individuals (*ibid.*, 51). Both Hayek and Polanyi rested their case for liberalism on the epistemological superiority of the market to access untapped knowledge, knowledge which could not be discovered by any other means than the independent initiative of the individual. This refutation of central planning would later see wide cross-fertilization among the early neoliberal thought collective (see chapters 2 and 3).

Uncertain truth in a liberal society

The true originality of Polanyi's argument lay in *the methodical relationship between liberty and truth*, between a liberty that is not strictly private, and a truth that is ultimately multifarious and unknowable. "The Liberal conception," explained Polanyi "is that freedom is *the only method* by which we can continue to discover the regions of yet undisclosed truth into which we are advancing." As in science, the *complexity* of the task at hand commanded both the division of labor *and* a dynamic order of cooperation.

> "There are so many kinds of truth, corresponding to the wealth of different faculties possessed by man, and the variety of interlacing patterns that can be found in the world, that the *explorers must split up into a number of detached parties*, each following the

> guidance of a single ideal which leads to one aspect of truth out of many. Only thus can the growth of the *whole vast web of better understanding* be advanced, which in its entirety is far beyond human perception, but on which, nevertheless, Liberal Society confidently bases its future" (Polanyi 1941b, 448).

It was for public opinion, and not for the state, to allocate resources and talents in the pursuit of these various ideals. Insofar as they are embedded within society, these orders respond dynamically to their social milieu which provide "variations—in kind and intensity—of indiscriminately applied influences" (Polanyi 1941b, 448). Thus, the way to influence such dynamic orders was not by transfering the task of ordering them to a single authority, but by exerting an environmental influence which was susceptible to nudge the 'internal forces' of said order one way or another.

For Polanyi, the intricacy, and ultimate unknowability of truth, demanded that liberty be the method of coordination used to uncover those regions of being which are yet undisclosed. The unpredictability of our interactions did not call for a renunciation of our beliefs in the ideals which inspired them. On the contrary, it led to an acknowledgment of the fiduciary grounding of these principles:

> "Liberal society, by maintaining various systems of dynamic order, entrusts its fate largely to forces beyond its control. Its productive system grows in unpredictable directions; and by the cultivation of the ideals to which it gives allegiance, society lets itself be guided towards new stages of enlightenment, whose implications are largely unknown. *The faith that society may confide itself to a variety of principles, which guide systems of co-operation by individual adjustment, is the faith of Liberalism, on which—as I have tried to show—the entire structure of the Liberal Society depends.* From the opposite position one arrives, by following the same analysis backwards, to all the basic principles of the Totalitarian State" (Polanyi 1941b, 454; my emphasis).

As is, the Polanyian framework was strikingly original and ambitious. It called not only for a new understanding of the role of the Liberal state, but for the re-articulation of freedom, knowledge,

and truth, which would eventually sit at the core of the early neoliberal project. This frame doubled up as a philosophical understanding of science, faith, and nihilism, where the destructive potential of progress and complexity was offset by a fiduciary commitment towards traditions embedded in practice.

Recalling the very first writings of Polanyi, one can appreciate the progressive constitution of his model of liberalism. His early model focused on the particular workings of science, and the epistemology of scientific discovery. It then extended out towards society with his discovery of *'analogous'* spheres using a similar methods of discovery and coordination: freedom through self-government. Finally, he defended the Liberal state as a guardian of various communities of explorers in search of the unknown. That Polanyi developed his epistemological comprehension of a liberal order in response to the social relations of science movement's most prominent figure illuminates my hypothesis that the specific theoretical claims of neoliberalism emerged as a reaction to a competing project. Social theory within early neoliberalism consisted in the inclusion of different spheres of activity into one set of epistemological premises which underpinned their constitution. It threaded together the opacity of their ultimate ideals, and the transparency of their orderly incarnation within a liberal society. Polanyi, by this time, had fostered an all-encompassing view of society as "a network of dynamic orders" (Mullins 2013) anchored in tradition and publicity. This recoding of social activity through the prism of epistemological principles constituted the bedrock of early neoliberalism.

PART 5. THE SOCIETY FOR THE FREEDOM IN SCIENCE AND THE DILEMMAS OF NEUTRALITY

In 1939, John R. Baker, a lecturer of zoology at Oxford University, entered the fray as a vocal opponent to what he referred to as "Bernalism." In his review of Bernal's *The Social Function of Science*, he stressed that the contemplative aspect of science was precisely what made it worthwhile for the wealth of scientists. Science was, like music and art, "ultimate things in life for many people who regard keeping alive and healthy as merely means to an end" (Baker 1939: 174). Of course science was important for human welfare, but the latter could only become its sole guiding light if it abandoned the transcendental motivation towards truth, which is what made science a cause rather than merely an instrument. Polanyi did not know Baker, but in reading his review, he recognized a "kindred spirit" (McGucken 1984, 268), as he himself was in the process of penning his own response to Bernal (see *supra*). Both defended the view that science was doing its best for mankind when left to pursue its own interests freely.

The correspondence between Baker and Polanyi intensified in 1940, when Baker took the initiative of writing a letter to forty-nine British scientists, asking them to join a new organization devoted to the protection of freedom in scientific research. In this document, he dismissed the short-sighted view of running science according to its potential material benefits, and was adamant that "the advancement of knowledge by scientific research has a value as an end in itself." Baker anticipated pure science in the post-war period to be as hotly debated an issue as it was in the present, and that a powerful attempt to end free individual research was looming.[42] The

[42] "J. R. Baker to forty-nine scientists," November 1940 (quoted in McGucken 1984, 269-270).

inclination of intellectuals towards socialism impelled them to forget "the decisive limitations implied by their aims to the freedom and progress of science."[43]

The birth of the SFS

Bernal's ideas, as much as his activism at a country-wide level, were pivotal in Polanyi's decision to dedicate more intellectual time and efforts to what he called the "scientific life." Through the Association of Scientific Workers, among other committees and associations, the position of J. D. Bernal afforded him the possibility to relay his new ideas about the role of knowledge in society to fellow scientists. In fact, organizing scientists had already constituted a key component of the social relations of science movement. Its high tide had been reached in September 1941 at the "Science and World Order" international conference, organized by the British Association's 'Division for the International and Social Relations of Science', itself set up in 1938 under the pressure of *Nature* editor Richard Gregory who had been richly impressed by the American efforts in that direction.[44]

What was at stake for Baker was to "win the peace" through the formation of a competing organization during the war. A month later, Baker had compiled thirty-three responses, twenty-seven of them positive, and among the names he suggested to new members, the "Society for Freedom in Science" was soon adopted. In his answer to Baker, Polanyi developed many lines of thought which would constitute the core SFS doctrine. He agreed with Baker's characterisation of the dangers facing science, and reiterated his idea that science was one of the many public liberties enjoyed in a liberal society. "Science," he wrote, "cannot be free in a state formed as sovereign

[43] "Proposed Society for Freedom in Science," pamphlet, May 1941, §4, Polanyi Papers, box 15, folder 2.
[44] See the *Nature* supplement devoted to this topic published on 23 April 1938 (vol. 141).

master of the community's fate, but only under a state pledged to *the guardianship of law, custom, and of our social heritage in general*, to the further advancement of which – on the lines of the universal ideas underlying it – the community is dedicated" (Wigner and Hodgkin 1977: 426-27; my emphasis). Polanyi perceived in the SFS as a vehicle for his militant liberalism, one in which scientists would take public responsibility in the name of the ideal of science, which was "only *one* of the ideas to the service of which our civilization is pledged." The free cultivation of ideas under the guidance of dedicated institutions provided a better safeguard against totalitarianism than democratic ideals which could be easily corrupted. Cultural liberalism was more robust than democracy in its ability to resist the collectivist frenzy.[45] Scientific research was but the paradigmatic battlefield of a restored liberalism, one where state powers were checked by the rule of law and the authority of tradition.

At the first informal meeting of the SFS on March 1st 1941 in Oxford, the six members of the executive committee, among them Arthur George Tansley[46] as acting president, and Polanyi, decided on to increase the society's membership "very considerably" to ensure its effectivity. The four-page circular which was circulated to scientists in May and June 1941 was sensibly different from Baker's initial letter, and more international in its outlook, reflecting Polanyi's influence (McGucken 1984, 271). The opening paragraph warned that the success of totalitarian dictators in the war "would ultimately put an end to the freedom of scientific research throughout the world."

[45] Compare the vocabulary of Baker and Polanyi with the tone of American anthropologist Franz Boas' manifesto for the freedom of science published in December 1938 and signed by 1,264 scientists, in which American scientists responded to articles and publications defending science in Nazi Germany. Condemning the persecution of fellow scientists and the racial theories propagated in the name of science, Boas asserted that "in the present historical epoch democracy alone can preserve intellectual freedom. Any attack upon freedom of thought in one sphere, even as non-political a sphere as theoretical physics, is in effect an attack on democracy itself." Quoting from the Indianapolis resolution of the American Association for the Advancement of Science in 1938, it urged the man of science to fulfill his "moral obligation" and "educate the people against the acceptance of false and unscientific doctrines which appear before them in the guise of science" (cf. Kuznick 1987, 186ff).

[46] Tansley was at the time retired professor of botany from Oxford University.

Not only did central planning thwart the results of science, it endangered "the methods of science, its heritage of knowledge, and the scientific habit of thought," which "together constitute a scientific culture which must be recognized as being on a par with the artistic and literary cultures."[47] Going back to Polanyi's words in 1939, the circular insisted that adhering to a liberal view of science was not to retreat into the high spheres of knowledge, but to serve society to the scientist's best abilities. As such, the "defense of scientific freedom" formed part of a larger effort to protect a free society at war, and ought not to be put to rest once peace had been secured: central planning still loomed at the horizon. Like his colleagues from the Left, Polanyi dismissed the neutralist position as naïve in the face of an "absolute state:" "today it is the detachment of the scientists which blinds them to the danger of science" (Wigner and Hodgkin 1977: 427). As means to widen its horizons, the SFS proposed to help scientists in foreign countries and "organize the forces which support the ideal of free science." In the end, however, the actual propositions of the Society remained conventional, and more or less designed to catch all individuals remotely committed to the traditional ideal of science: it defended the "maintenance and spread of scientific culture," research conducted in "the atmosphere of freedom," the autonomy of science and appointments, the "freedom to choose their own problems" and teams, and finally, the commitment to "help fellow-scientists" in all parts of the world to maintain or secure that freedom."[48]

The SFS strategy

A number of responses to the 1941 circular highlighted the fact that scientists in institutes funded by the state were paid in the understanding that their efforts would be devoted to a particular

[47] "Proposed Society for Freedom in Science," pamphlet, May 1941, §1, §3; Polanyi Papers, box 15, folder 2.
[48] "Proposed Society for Freedom in Science," pamphlet, May 1941, §6, §8; Polanyi Papers, box 15, folder 2.

issue under the control of a director. This stood in stark contrast to the ideal of the unbound scientist that the SFS had committed to defend. In a memorandum written by Tansley, and modified by the executive committee, the Society admitted that researchers employed in industrial and government laboratories were appointed for the pursuit of definite aims. It nonetheless recommended that, in the future, the government would provide the bulk of funding: what truly mattered was the independent administration of these funds, to be awarded to "properly qualified investigators freely working at their own problems without any regard for practical use" (McGucken 1984, 276). Already, the defiant slogan of "free science from the state" was being toned down. By mid-1941, many members had developed the view that a principled defense of freedom could be mistaken for reactionary conservatism. The defense of the *status quo* was a weak strategical position compared to the progressive ideas of the left. By early 1943, a pamphlet advocating a general scheme of coordination was drafted, which, confronting Bernal, emphasized free research at its core (see McGucken 1984 278n60). "The Society," it conceded, "recognizes the necessity of planning in many of the complex and increasingly important relations of Science to the life of the community, and here it is its proper field. Such planning should justly delimit the appropriate spheres of freedom and of control."[49] In connection with this pamphlet, the creation of local branches was also proposed, but it did not materialize, nor was the pamphlet published. Likewise, the first attempt to publish a book composed of essays from various members, initiated by Baker in May 1941, never came to light. The executive committee decided that the Society had not reached a coherent enough doctrine to be able to publicize its views (McGucken 1984, 276).

Within the SFS itself, however, Baker's elitism, complemented by his conservatism and eugenicism, did little to agree with Polanyi's international and liberal approach. Lacking a clear direction, the

[49] "SFS, Statement by the Executive of the Provisional Committee" Late 1941/Early 1942; Polanyi Papers, box 15, folder 2.

SFS came to foster and rely solely on the efforts of individuals, a practice encouraged by the Executive Committee, which suggested in October 1944 ways in which adherents could promote the aims of the Society: contributing letters to *Nature*, *Science,* various newspapers, and writing articles and books on the subject (McGucken 1984, 279). Among these contributions, Baker's *The Scientific Life* (1943) and *Science and the Planned State* (1945), as well as Polanyi's *The Autonomy of Science* (1943), deserve mention. Even though these publications were not explicitly connected to the Society, they expressed all that it stood for. The free scientific culture and ethos glorified by Baker contended with "an ugly new god called the state." In a dystopian materialist future, "nourishment, shelter, health and leisure are falsely regarded as ends in themselves. Culture is looked down with contempt. Science is equated with technology and decay. […] Each person is a cog in a vast machine grinding towards ends lacking all higher human values" (Baker 1943, 130). The other two publications honed their attacks on the state of Soviet genetics, which endured as a source of discomfort for many left-leaning scientists (Paul 1983). Baker argued that "the main lesson to be drawn from the Soviet genetics controversy is that science can flourish only if free from state control," otherwise, "scientists may exhibit a servile obedience to their political bosses and let dogmas and slogans affect their science" (Baker 1945, 75). For Polanyi, the submission of truth to political expediency substantiated his views that science, judged from the point of view of practical utility, inevitably became a tool for propaganda. As long as it remained free from state interference, science was the perfect example of liberalism in action, depicting how individual liberty may be reconciled with authority, tradition, and social control (Polanyi 1951, 9-38).

Setbacks and limits

The SFS was only moderately successful at recruiting prestigious names to its ranks. Both secretaries of the Royal Society: A. V. Hill, and A. C. G. Egerton, declined Tansley's invitation to join

in May 1941. Hill, being in close agreement with the objectives of the Society, was nonetheless wary of a strict division between freedom and order, and felt that "scientific people will guard their freedom better by not forming themselves into rival political groups."[50] In reality, establishing a Society which overtly opposed Bernal's views, was also to concede that science, its methods and organization, were of direct political and social interest. More explicitly, Hill obeyed the neutralist position of the Royal Society and refused "to be associated with any brand of politics" lest the august institution might lose "its influence and position."[51] Certainly, this view was widely shared by members the Royal Society itself, with its President at the time, Sir Henry Dale, initially refusing to join on the grounds that he did not want to appear anti-Russian at a time when Russia had been thrown in the war on the side of the Allies, and when pro-Bolshevik scientists such as Bernal were serving the nation (McGucken 1984, 289) (see chapter 4).

Another striking example of the lukewarm reception afforded to the SFS was Max Born's refusal to join. Like Polanyi, Born, a Nobel prize winner, had been exiled from Hungary and had emigrated from Germany in 1933. As a Jew, he had been dismissed from the University of Gottingen and he had relocated to the University of Edinburgh. In 1941, he was invited by Polanyi to join the SFS, but declined to join on the grounds that intellectual liberty and an economic mode of production should not be linked together. He emphasized "the principal importance of keeping the question of freedom of thought completely separated from the questions of expediency connected with political and economic restrictions."[52] When Polanyi sent him his 1941 article "The Growth of Thought in Society," Born found, once more, that his vindication of scientific freedom, coupled with a justification of economic liberalism, was "indefensible." The "non-ideal" purposes of business

[50] Letter A. V. Hill to A. G. Tansley, 1 August 1941 (quoted in McGucken 1984, 287n106).
[51] Letter A. V. Hill to A. G. Tansley, 1 August 1941 (quoted in McGucken 1984, 288n108).
[52] Letter Max Born to Michael Polanyi, 31st July 1941, Michael Polanyi Papers, box 4, folder 7.

affairs should be separated from "our ideals" of scientific research and goals.[53] Paradoxically, Polanyi's and the SFS's position that the defense of pure science demanded a suitable political and social context, alienated fellow scientists cautious of associating the prestige of science with one type of economic regime. Their neutralist and disengaged view was remote from the Bernal-Polanyi battlefield.

Sir Richard Gregory, then president of the BAAS as well as chairman of its Division for the Social and International Relations of Science, also declined to join in 1941. For him, the Society's views were inadequately alarmist against a small group of scientists who had no real sway over the actual organization of science (McGucken 1984, 291). Common sense, and a British sense of freedom, would always prevail: "Liberty of thought, work and expression is highly cherished in the commonwealth of science, and in Great Britain no conditions which would limit it would be tolerable" (Gregory 1942). Lionel Brimble, taking over from Gregory as editor of *Nature*, spoke for many when he qualified liberal scientists as holding themselves "aloof from any effect their science may have on human society; they are, to say the least of it, selfish, though how often has one heard them claim that they are the only champions of scientific freedom" (Brimble 1941). J. G. Crowther, then Secretary of the Scientific Section of the British Council, intimated that Baker's philosophy would have denied Britain victory in the war (Harman 2003: 339). This host of reactions accounted for much of the Society's slow start. Its refusal to consider any form of planning at a time when the common opinion was that planning was both necessary and beneficial was felt to be too extreme (McGucken 1984, 293). The recurring problem with enlarging the membership of the SFS was that it linked political design and freedom of thought mechanically, and that, as such, it was perceived to be a political effort rather than a truly academic venture.

[53] Letter Max Born to Michael Polanyi, 1942 (undated), Michael Polanyi Papers, box 4, folder 8.

Despite its limited reach, the legacy of the Society for Freedom in Science is far from insignificant. At the end of a decade that had seen the politicization and radicalization of large sections of the academic community in Britain, the SFS broke out of its earlier isolation and managed to recruit many new members. It became symptomatic of the decline of the Scientific Left, with some historians attributing the deliberate, active and successful role of science as a cultural weapon during the Cold War to the Society (Werskey 1978; Jones 1988). Furthermore, the new anti-Left consensus in science during that time had to a large extent been assembled by some members of the Society.

A new-found epistemological vista? Prolegomena to science-in-society

In the end, the main achievement of the SFS lay in the incubation of a counter-economics of science, against the Marxist project of submitting the work of science to its social and economic determinants. The SFS allowed Polanyi to have a first-hand experience of the organizational aspects of ideological conflict, an experience which would prove invaluable after the war. More importantly, the SFS marks "the earliest entry of some major protagonists of the nascent neoliberal thought collective into the arena of science organization and funding" (Mirowski 2011, 50). Although the SFS and its Marxist opponents clashed loudly over the issue of the position of science in society, they both shared the notion that the advancement of science depended upon the political and social conditions within which it worked to accomplish its goals. Moreover, they both recognized that the progress of society as a whole depended on the ways in which science and technology were organized. Finally, both sides concurred that science could be perceived as an embodiment of either communism, or liberalism, and as such provided a mirror to the ideological position of thought itself in society.

Bernal had argued that the historic human endeavour of finding and applying knowledge had led to a perfected form of human organization upon which a rational society ought to be modelled. Hence, his epistemology of science provided a model for his social theory. Since the scientific community worked tacitly according to socialist principles, Bernal envisioned the organization of science as a fully-formed template for the transformation of society. Yet this was so, not on a grand theoretical scale, but rather thanks to the dialectical engagement of science with social needs and forces. The history of science, when seen through the lens of Hessen's logic, led one to adopt a socialized and materialist view of the work of the scientist at the crossroads of multiple social forces. Ultimately, Bernal's purpose was to show that only in a socialist society may science take its rightful place as the chief servant of human liberation (Werskey 1979, 185). For Bernal, the "freedom" of science could not be solely defined in terms of investigative freedom, but must also be submitted to *necessity*, a paradox which he captured in the title of his postwar essay collection: *The Freedom of Necessity* (1949).

This newfound epistemological vista brought about by the Russians played a decisive role in the foundation of the early neoliberal project. For the first time, the position (and use) of knowledge in society came under scrutiny, and these debates had a direct impact on the political discourse and public opinion of the day. To a large extent, many of the features of what had been pejoratively called 'Soviet Science' then, have evolved into today's scientific thoughts and practices (Kojevnikov 2008: 135). Large public subsidies are awarded to science, while the opinion that science for science's sake cannot be the sole criterion for evaluation, and that scientists form an integral part of society and ought to intervene in public affairs, still remain prevalent. Moreover, both the social relations of science movement and the early neoliberals came to see science properly understood as a prophylactic against the ideological deviances of society. The scientific method, they agreed,

would permeate society so that it "can fully take its place as a common framework of life and thought" (Bernal 1939, 412).

For the left scientists, and the left in general, it was clear that the ascent of fascism in Europe had been a direct consequence of the crisis of capitalism. As Bernal said, fascism was a "logical conclusion of economic and intellectual nationalism" (Bernal 1939, 211). Only science was able to break the inertia of irrationality, since it was perpetually "in revolt," and scientists were unintentional revolutionaries who had yet to become conscious of their role as vanguards of the scientific society to come.[54] The Lysenko affair, a boon to the SFS and liberal-minded scientists, would soon reveal the delusions inherent to the Soviet model. Yet, with WWII as its background, the ideological confrontation between socialist and liberal scientists concealed a pervasive acceptance of the relationship between science and society: what I would call a "science-in-society" paradigm. Their epistemological battle paved the way for a new understanding of the relationship between science as practice, and the world of politics. For radically different reasons, Polanyi, Bernal and their followers had shifted the conversation from a purely internalist conception of science and the scientific method, towards that of "scientific communities and scientific practice—from the logic of science, to the life of science." As a result, Polanyi and Bernal both argued "for a social turn in studying the history and philosophy of science" (Nye 2011, 184). In many ways, 1931 retrospectively marked a wider break with the previous conceptions of science: from that of the scientist as a genius at work, to their role as participants in an organized social enterprise.

[54] Bernal was a strong admirer of Stalin, whom he considered a brilliant scientist. At the death of Stalin in 1953, Bernal wrote in his obituary published in the *Modern Quarterly* that "the true greatness of Stalin as a leader was his wonderful combination of a deeply scientific approach to all problems with his capacity for feeling and expressing himself in simple and direct human terms. His grasp of theory never left him without clear direction. His humanity always prevented him from becoming doctrinaire" (Bernal 1953). That same year the Soviet Union awarded Bernal the Stalin Peace Prize.

At that stage, two elements stand out as being of particular importance: the first is the personal investment of the scientist in his work; that is, his own participation in the process of research and discovery. Bernal admitted that it was "strictly impossible to convey an adequate picture of existing scientific knowledge if the learner is not aware of how that knowledge is obtained, and aware to the extent of being able himself to take part in some way in the process of discovery" (Bernal 1939, 245-6). This bears an uncanny resemblance to the outlook held by the sociology of knowledge. Bernal's exposition of the communism of science was close to "what Robert Merton would define in 1942 as the scientific norms of universalism, communism, disinterestedness, and organized skepticism" (Merton 1942; Nye 2008: 250). Personal enthusiasm and dedication were unavoidable aspects of science and, ultimately, it drove scientists to forgo material gains in favor of public recognition. Both Bernal and Polanyi opposed patent rights precisely on these grounds (Werskey 2007: 421).[55]

Their irremediable faith in science as practice constituted a second common element: both Bernal and Polanyi believed that the work of science provided an anchor for the public's trust. They shared a fondness for the disinterested search for knowledge as an inherent good and as a model for social order (Thorpe 2009: 72). Science could only gain the recognition it deserved if the work of scientist, his methods, traditions, and values, were explained in the classroom, transmitted in the laboratory, and vulgarized to the laymen. The obscurity and technicality that bewitched scientific talk needed to be replaced with a transparent pedagogy about the role of science. Science, as a social activity, relied on social networks knitted together by means of institutions and publications: traditions and values were needed to account for how exactly science was made and supported (Nye 2011, 219).

[55] For Polanyi's unorthodox view on patent rights, see Johns (2006: 151-158).

The missing link between the individual scientist and the public was the "scientific community" whose opinions exercised "a profound influence on the course of every individual investigation" (Polanyi 1951, 64). This concept of a specialized constituency, bound by its own tradition and authority, and pursuing an ideal supported by the rest of society, became the model upon which Polanyi articulated his vision of other orders in a liberal economic framework. "It was through the idea of scientific community," notes David Hollinger, "that the conflicting claims for "planning" and "laissez-faire" were reconciled. It amounted to what we might call "laissez-faire communitarianism"" (Hollinger 1996, 110). This design had a tremendous influence on the American post-war model, where science was presented as a self-regulated, yet heavily state-funded enterprise. At the end of WWII, Vannevar Bush (F. D. R.'s scientific advisor), James B. Conant (President of Harvard), and Warren Weaver (Science Officer at the Rockefeller Foundation) all argued that the scientific community represented "an exemplary model of organization for a free and democratic society:"

> "A social contract emerged in the postwar United States between politics and science, in which science was to be supported largely through grants and contracts to institutions-universities, industries, and government agencies-leaving internal control of policy, personnel, and the method and scope of research largely to the scientists themselves" (Nye 2007: 433).

It was this vision that Polanyi would incessantly pursue for much of his career, and which he would clearly formulate in 1962, declaring that: "A free society may be seen to be bent in its entirety on exploring self-improvement — every kind of self-improvement. This suggests a generalization of the principles governing the Republic of Science" (Polanyi 1962: 72).

CONCLUSION

In 1940, Polanyi had preached for Liberalism "to return to the charge," but not in its extreme form of *laissez-faire* whose "barbarous anarchy in the illusion of vindicating freedom" had brought "contempt on the name of freedom." Dogmatic economic freedom had paved the way towards collectivism because all public consciousness of its workings had been eliminated. Instead, it had supported "the claim of Collectivism to be the sole guardians of social interests" (Polanyi 1940, 58). Liberalism, in its classical form, had been "superstitious" in considering the state as the mother of all evils: a "mystical element" akin "to the obsessions of collectivists about the evil powers of the market." Between both of these orthodox extremes, between state planning and state disappearance, lay the nascent alternative of neoliberalism as:

> "freedom under the law and custom as laid down, and amended when necessary, by the state and public opinion. […] It is law, custom, and public opinion which ought to govern society in such a way that by the guidance of their principles the energies of individual exertions are sustained and limited. The benefits of culture in the form of science, of religion, of the arts, and of the manners of intercourse are developed by individuals protected by law and encouraged by the response of society" (Polanyi 1940, 59).

Polanyi's call for a renewed liberalism after the 1940s had at its core a strong epistemological motivation: one which justified an interventionist state for the protection of the heuristics of competition; one which portrayed the market and its metaphors as a superhuman engine of coordination; one which mobilized science as the organizational template for social theory; and one, finally, which entrusted the rule of law with the protection of individual agency.[56]

[56] Polanyi acknowledged that he drew the idea of the "cultivation of liberty under the law" from Walter Lippmann's *Good Society* (Polanyi 1940, 36n1).

The proximity of Hayek and Polanyi, born out of their meeting at the Walter-Lippmann Colloquium (see chapter 3), had far reaching consequences for the development of their respective liberalism. Polanyi, building on earlier efforts to counteract planning, had played a role in the creation of the SFS, which Hayek eventually came to join, whilst the Austrian was known as a vocal opponent of war planning, and of the kind of propaganda the BBC directed at the German people (see chapter 4). Notwithstanding their topical proximity concerning a principled opposition to planning, their economic approach suffered from fundamental differences. Contrary to Hayek, Polanyi remained a committed, if heterodox, Keynesian (Polanyi 1945). But in these years, strategic rapprochement had become more important than ideological purity, and whereas Hayek suffered from a relative lack of publicity, Polanyi did not: it was him, and not Hayek, "who was situated at the axle of a vast wheel of controversy over political economy and science in Britain in the 1940s" (Mirowski 1998: 33).[57]

Since the creation of a liberal journal was not in order (see chapter 3), the pair collaborated on piecing out the reform of liberalism which had been at the centre of the Walter-Lippmann Colloquium. In his review of Polanyi's *The Contempt of Freedom*, along with G. N. Clark's *A Critique of Russian Statistics,* Hayek demonstrated his jubilation at having found a new ally in his fight against planning and interventionism. He praised Polanyi's insight on the "psychological propensities which so frequently turn a man of science into an ardent advocate of central planning, and of the inconsistencies which this attitude involves" (Hayek 1997, 247). This correlation between the worldview held by the scientific mind and the promotion of planning, became one of

[57] Mirowski continues: "The spokes radiating outward from Polanyi led to the most amazing collection of natural scientists (such as Max Born) and literary figures (such as Arthur Koestler); but his ability to maintain intellectual engagement with such diverse economic thinkers from Hayek to J.R. Hicks to Karl Mannheim to his own brother Karl was nothing short of miraculous. In another context, his friend Wigner called him an "artist of encouragement," and that skill is revealed in the quality and candidness of expression he evoked from his correspondents" (Mirowski 1998: 33).

the psychological wedges Hayek would not cease to hit. Despite some important differences, both Hayek and Polanyi sought the origins of planning in a perversion of the Western tradition, or what Hayek came to refer as "the Abuse of Reason" and Polanyi a "moral inversion." Both were fond of referring to Julien Benda's *Trahison des clercs* as an early exposition of this psychological bias among intellectuals. As I will show in the next chapter, Hayek's encounter with Polanyi's ideas came at a crucial moment in his own orientation. It firmly committed him to the question of "scientism" and away from economic theory, a field he had all but abandoned after 1936.

CHAPTER 2

PLANNING THE ECONOMY

> "[T]he economic world is naturally opaque and naturally non-totalizable. It is originally and definitively constituted from a multiplicity of points of view which is all the more irreducible as this same multiplicity assures their ultimate and spontaneous convergence. Economics is an atheistic discipline; economics is a discipline without God; economics is a discipline without totality; economics is a discipline that begins to demonstrate not only the pointlessness, but also the impossibility of a sovereign point of view over the totality of the state that he has to govern."
>
> Michel Foucault (2008, 282)

"The two forces which above all have moulded contemporary British society," wrote British historian Arthur Marwick in 1964, "are the growth of collectivism and the advances of science" (Marwick 1964: 298). The inception of early neoliberalism is situated precisely at the intersection between these two trends. In the first chapter, I examined how scientists in Britain had gained political importance through their advocacy of a wider application of scientific methods to social problems. I will now retrace my steps, and return to England at the beginning at the 1930s, at a time when the fashion of planning had begun to spread from partisan fringes to the political mainstream. Amidst widespread support for some modicum of state control, the early neoliberal

refutation of planning switched from policy to methodology, from warning against interventionism to denouncing the road to totalitarianism.

Even if everyone agreed that planning was viable in principle, no common understanding as to what the term meant and covered was reached. Planning-inspired policies ranged "from capitalist-sponsored efforts to 'rationalize' industries, to market socialism to Soviet-style Gosplanning, with Keynes-inspired fiscal 'planning' often thrown in for good measure" (Jackson 2010: 139-40). Despite this confusion, planning was systematically advocated as being more scientific, with the objectivity and rationality of science often placed in opposition to the irrationality of both *laissez-faire* economics and party politics. At the same time, the credibility of economics and economists eroded as the depression sunk in, and left-wing scientists now aimed at 'engineering' policy solutions which emulated the apparent success of the natural sciences. In the opening pages of his inaugural lecture at the LSE, Hayek acknowledged the segregation between the economists' expertise and public opinion, sensing the former "to be hopelessly out of tune with his time, giving unpractical advice to which his public is not disposed to listen and having no influence upon contemporary events." This constituted another instance of the "recurring intellectual isolation of the economist" (Hayek 1991[1933], 13). This association between planning and science attracted reformers from across the political board, promising a rupture with the old orthodoxies which had dominated English politics in the 19th century. While early neoliberals and some interventionists shared the same moral commitments towards the preservation of a free and progressive society, a stark divide abided between their various epistemological commitments. Analysing this ideological realignment in England, Michael Freeden observed that: "overlapping ideological positions, sharing adjacent and peripheral concepts but with different cores may create the semblance of consensus or of ideological convergence; time and a closer look usually prove these illusory" (Freeden 1986, 15). Planning proved to be a bone of contention, not a rallying flag.

For a starter, let us go back for a moment to Hayek's own memories of the fateful year of 1931. He recalled arriving in England as being like "stepping into a warm bath where the atmosphere is the same temperature as your body" (Hayek 1994, 100). However, he set foot in London at a chaotic time, on the day the gold standard was abandoned on September 21st, 1931, the news of which he had heard while passing through Paris on his way there (Hayek 1994, 78).[1] His cultural affinities with England became quickly evident, and Hayek reminisced on the decade or so he spent in England as the time when he accomplished his most fruitful work. Hayek's admiration for his adopted country was equally shared amongst continental liberals, who viewed English steadiness as a beacon of hope amidst the general fall of Europe.

In this chapter, the main contention will revolve around the fact that the claims of superior scientificity lavished upon planning by its supporters, led Hayek to deepen his epistemological stance as a means to scientifically disqualify socialism. Writing his contribution to the socialist calculation debate, Hayek trusted that a technical demonstration of the economic impossibility of socialist planning was all that was needed to undermine the progressive appeal of socialism. He refuted the claim that planning entailed a scientific or logical point of view, and that a liberal economy embodied the rule of irrationality and obscurantism. In its place, he rested his case for the market upon its superior ability to coordinate and utilize individual knowledge, while reducing coercion to a minimum. For Hayek, epistemic limitations deriving from the dispersion of knowledge between innumerable agents had both scientific and political consequences, for it was

[1] Here is how the magazine *The Economist* described the aftermath of the devaluation: "It is safe to predict that Monday, September 21, 1931, will become an historic date; the suspension of the gold standard in Great Britain on that day, after the six years of painful effort which followed this country's return to gold in 1925, marks the definite end of an epoch in the world's financial and economic development." *The Economist*, "The End of an Epoch," 26 September 1931, p. 547. A gold historian added: "Britain's devaluation in 1931 had a psychological and political impact on Europe, and beyond, that can hardly be overestimated. In final analysis, the break-up of the international financial and commercial system was a decisive factor in "balkanizing" Europe and preparing the ground for World War II" (Palyi 1972, 270).

impossible to tell just how much the state, the planning board, or the welfare economist, was capable of knowing, and thus to predict and operate adequately.

As Europe hastened towards war, Hayek, like Polanyi, elaborated a broader framework for a liberal order based on those epistemological intuitions he had gained debating pro-planning arguments. It is difficult to adjudicate whether his epistemological commitments preceded his antisocialist politics (Caldwell 2004), or the contrary (Mirowski 2007); which is why it is sensible to consider a reciprocal evolution of both sides of Hayek's thinking. In a sense, Hayek's "transformation" (Caldwell 1988) from Austrian economist to liberal philosopher was as much epistemological as it was political. By the end of the decade, the terms of the debate had been reframed, bringing the defence of the liberal tradition against totalitarianism to the foreground, and giving political leverage to epistemological arguments originally devised to discredit the very idea of economic planning. This leap was not at all evident from the outset, however. In the same vein as our previous discussion of the rival conceptions of the epistemology of science and their associated political projects, the case for economic planning, with its scientific underpinnings, must be envisioned as the indispensable trigger of the epistemological reorientation of Hayek's thought.

PART 1. PLANNING FOR ALL AND ALL FOR PLANNING

Aldous Huxley, writing in 1937, remarked that:

> "Since 1929, the idea of planning has achieved an almost universal popularity. Meanwhile planning has been undertaken, systematically and on a large scale in the totalitarian states, piecemeal in the democratic countries. A flood of literature pours

> continuously from the presses. Every 'advanced' thinker has his favourite scheme and even quite ordinary people have caught the infection. Planning is now in fashion" (Huxley 1937, 31).

Within a few years of the permeating economic downturn, planning had become the new catch-word of British politics: "we are all planners now," remarked one Conservative Cabinet Minister in 1934, whilst another observer noted that "the necessity for a planned economy is now so generally conceded that the argument for it need not be elaborated" (quoted in Ritschel 1997, 48). "Planning is forced upon us," wrote one of its most vocal and influential promoters in 1933, "not for idealistic reasons, but because the old mechanism which served us when markets were expanding naturally and spontaneously is no longer adequate when the tendency is in the opposite direction. […] The economic system is out of gear," concluded Harold Macmillan, echoing the *zeitgeist* of post-1929 England (Macmillan 1933, 18, 23).

In the same vein as the controversy over the function of science, nowhere had the economic planning debate been as strong, contradictory, and laden with ideological commitment as it was in Britain: only there was planning perceived as a political problem as well as a scientific one. Such was the pervasiveness of planning in the 1930s, that it was famously defined as the "middle opinion" in a period which paved the way for the post-WWII consensus between Labour and Conservatives surrounding the British welfare-state (Marwick 1964). As such, the alternative of pursuing a deliberate policy to control the economy, whilst eschewing total collectivization, provided an ambitious agenda that could suit reformers and radicals eager to dismiss the obsolete economic orthodoxies of the past in favor of a more modernist outlook. In the opening page of his *Reconstruction* pamphlet, Macmillan proclaimed that the quest for planning "not only for a policy of action to deal with a pressing situation, but […] *a new theory of social and economic organisation* which will facilitate the evolution towards a new economic system suitable to the *changed circumstances of the modern world*" (Macmillan 1933, 1; my emphasis). The fact that planning was

so imbued with scientific credence lent some measure of legitimacy to scientists promoting this vision: 'rational capitalism', 'orderly economy', and 'scientific planning' were terms all used in contraposition to the 'evils of competition' or the 'chaos of overproduction.'

The previous chapter has demonstrated that scientists themselves were generally in favour of some modicum of planning, which they perceived as the application of modern scientific methods upon the confused realms of politics. They positioned themselves to be the "men of science" or "experts" in charge of rationalizing the economy and the administration. In his 1933 presidential address to the BAAS, Frederick G. Hopkins[2] encouraged the use of science as a way to solve social problems, adding that "the trained scientific mind must play its part" in the current debates on planning. Drawing on Bacon's *New Atlantis*, he envisioned a re-enactment of Solomon's House[3] "devoid of politics, concerned rather with synthesizing existing knowledge, with a sustained appraisement of the progress of knowledge, and continuously concerned with its bearing upon social readjustments" (Hopkins 1933: 394). Science was conceived as the way out of the dead-end of political debates: "The growing importance of science, and of scientific method," acknowledged Marwick, "served to deflect intelligent minds from the shibboleths of party politics towards the problems of concerted action for the rational planning of the nation's resources" (Marwick 1964: 292).

[2] Frederick G. Hopkins was an English biochemist (1861-1947) who was awarded the Nobel Prize in physiology in 1929 for his contribution to the discovery of vitamins. He was president of the Royal Society from 1930 to 1935.

[3] In *New Atlantis*, published one year after his death in 1627, Francis Bacon spends more than a third of the text describing the scientific and social activities of this ideal college, which represents "the noblest foundation […] that ever was upon the earth; and the lanthorn of this kingdom." The introductory note remarks that: "In spite of the enthusiastic and broad-minded schemes he laid down for the pursuit of truth, Bacon always had an eye for utility. The advancement of science which he sought, was conceived by him as a means to a practical end: the increase of man's control over nature, and the comfort and convenience of humanity. For pure metaphysics, or any form of abstract thinking that yielded no "fruit," he had little interest; and this leaning to the useful is shown in the practical applications of the discoveries made by the scholars of Solomon's House."

From the vantage point of the historian, the 1930s ostensibly evolved towards "a broad consensus from Harold Macmillan leftwards in favour of 'planning', where that term embraced almost any kind of government role in the economy from the 'rationalization' of individual industries through to full-scale nationalization, from monetary manipulation through to full-scale Keynesian macroeconomic management" (Tomlinson 1992: 155). However, this retrospective view of an emerging consensus problematically erases the consolidation of ideological differences around the potential and limits of intervention. The popularity of the term only served to obscure its various acceptances. Its importance:

> "was precisely in the structural connection it afforded between different ideological positions, all sharing the term, though surrounding it with dissimilar idea-environments. Mistakenly, this has led to the assumption that a consensus of progressive opinion was being moulded, whereas in fact it merely allowed for a limited agreement on the necessity of communal foresight" (Freeden 1986, 352).

The thesis of a continuous progression from the crisis of 1931 to the Beveridge Plan, on to the postwar Labour must then be dismantled (Ritschel 1997; Toye 2003).

More accurately, the 1930s did not divide sharply between pro-planners and anti-planners, but rolled out as a contest between "various ideological hybrids of collectivism themselves, whose supporters saw them as distinct and often exclusive alternatives to one another" (Ritschel 1997, 22). No substantial convergence was reached around the idea of planning; on the contrary, planning became the locus of political debates of the time, with each party advancing its own variant. Likewise, it became a popular answer to the intractable issues surrounding the post-WWI economic slump, offering a new agenda which transcended old ideological divisions. To be sure, these dissonances should not conceal the radical nature of the planning project, which was much more than a light deviation from the established economic orthodoxy: it constituted a real shift in economic and social organization, and as such was widely perceived as a momentous opportunity

for change. In this sense, the year 1931 represents a transitional moment in British politics, one when traditional political alignments vanished, bringing with it a period of intense realignment and uncertainty. In this section, I compare three political orientations that responded to the peculiar challenge of the 1931 political crisis. For each of them, particular attention is paid to the rhetoric of science which underpinned their justification of planning. My intention is to demonstrate that it is this specific *scientific understanding of planning*, which availed itself of the prestige and authority of science to justify its proposals, that prompted Hayek and early neoliberals to reply with epistemological arguments demonstrating the superiority of the market and elaborating their anti-planning science.

Radical planning: Oswald Mosley

Oswald Mosley, "more than any other individual, was responsible for bringing the term 'planning' to prominence in British public life" (Toye 2003, 35). *Enfant terrible* of British interwar politics, Mosley was a charismatic and talented maverick, eager to overcome the 'Old Gang' of the past. Having rapidly risen through the ranks of the Labour's left, he was given a small government appointment as part of Ramsey MacDonald's Labour government in 1929. Mosley himself defined his 'practical socialism' as a "scientific and severely practical creed" based on the "scientific intervention of the State."[4] Appalled by the 'stickiness' of the Labour government to economic orthodoxy in the face of growing unemployment, Mosley felt that Labour was betraying its radical commitment towards socialism. For Mosley and the founders of the short-lived New Party, the possibility of a "national planning" project, anchored in science and reason, was an opportunity to transcend party affiliations: "For national planning alone lifts our problems out of the unreality of

[4] "We Socialists and Our Creed," *Daily Express*, 19 February 1929 (quoted in Ritschel 1997 66-67).

Party controversy to the *scientific plane* on which Party antagonisms can be subordinated to the national interest."[5] Mosley resigned from the government in 1930, calling for a cross-party coalition "to lift this great economic problem and emergency far above the turmoil of party clamour" (Ritschel 1997, 51). His plea, published in December 1930 as the "Mosley Manifesto," succeeded in garnering attention from other parties. Harold Macmillan and other 'young Tories' were themselves willing to engage with Mosley in order to overcome the rigid orthodoxy of the Conservative Party's 'old guard' (see *infra*). *The Week-End Review*, a dissident Tory magazine, declared that Mosley's Manifesto "brings us at last to planned economy as a national issue, and it is on this issue of planned *versus* unplanned economy — the issue of Future v. Past — that a vital realignment of politics can take place."[6]

In practice, Mosley was militating for a heterodox policy, consisting of a high-wage economy coupled with protectionist measures to shelter domestic industries. This was to be achieved not by indirect management, but by a direct strategy of 'national planning'. His *National Policy* electoral manifesto called for the establishment of a "National Economic Planning Organisation" and a "National Planning Council" to co-ordinate various Commodity Boards directly under the supervision of the state. However, Mosley's fully centralized solution did not sit well with Conservatives, whilst his refusal to embrace socialism as an ultimate goal left early Labour enthusiasts cold. In the end, Mosley had become the first promoter of an increasingly popular idea. Once he realized that his radical position did not afford him the popular breakthrough he had hoped for, he leaned further toward a Corporate state, which he presented as the constitutional counterpart of the belief in "scientific planning."[7] This move distanced him even further from his

[5] *Week-End Review*, 14 February 1931, 202 (quoted in Ritschel 1997, 70; my emphasis).
[6] "Past v. Future," *Weekend Review*, 20 December 1930, 908 (quoted in Ritschel 1997, 68).
[7] "Action Looks at Life," *Action*, 17 December 1930, 4 (quoted in Ritschel 1997, 86).

Labour roots, and confirmed his drift towards an open identification with fascism.[8] By October 1932, Mosley had launched the British Union of Fascists, a group which epitomized his corporatist economics of planning.

Oswald Mosley's example unmasks the ideological elasticity intrinsic to planning, which did seduce proto-fascists organizations as well as staunch socialist defenders. Instead of a cohesive force, bringing together enlightened young politicians from all parties, it turned out to be the straw that broke the camel's back: each party wishing to appropriate this popular idea into their own ranks. This also meant that one could never hold a true, scientific, and objective conception of planning: this idea divided supporters more than it united them around potential options and models. To conclude, claiming, as Mosley did, the mantle of science in order to occupy a politically-neutral ground had been a self-defeating strategy, because science itself was being mobilized by competing ideological aims. The daring Mosley was a bright spark in the debate around planning, but it was the 1931 crisis that ultimately forced it to come into the limelight.[9]

The 1931 political crisis: Labour realignment

It was at that time, in the build-up and response to the 1931 crisis, that socialism and planning became firmly appended one to another in the minds and hearts of the Left. In the early months of 1931, the idea of planning was quickly gaining traction in London, as Mosley's views were

[8] Mosley had travelled to Italy at the beginning of 1932, being very impressed with the achievements of Mussolini's regime.

[9] Ritschel invites us to see Mosley as a possible inspiration or confirmation of Hayek's thesis in *The Road to Serfdom* that planning leads *inevitably* down the road to fascism: "The pattern of Mosley's ideological development lends much credence to Hayek's argument. Whatever the oftnoted 'authoritarian tendencies' of his personality, it was the idea of planning that served as the entry-point to his authoritarian politics. Planning provided him with the grounds for his original critique of liberal democracy, and furnished him with the programmatic substance behind his eventual rejection of the system as a whole. Ultimately, of course, the economics of planning became his primary rationale for the authoritarian politics of fascism itself. Mosley's journey from planning to fascism may thus serve as an illustration of Hayek's thesis" (Ritschel 1997, 94-95).

circulated and increasingly discussed among fringe groups. The Independent Labour Party (ILP) and the Society for Socialist Inquiry and Propaganda (SSIP) both pushed mainstream Labour towards abandoning budgetary orthodoxy and political gradualism in favour of a more radical plan, allowing for sweeping state control over production and distribution. The first half of 1931 saw an outpouring of books and pamphlets on Soviet Russia, signalling the increased willingness of Labour thinkers to look towards the East for inspiration (Bevan, Strachey, and Strauss 1931), the same way left scientists had travelled to the Soviet Union in 1931 in search of an alternative model for the organization of science (Crowther 1930; Huxley 1932). Beatrice Webb herself, one of the founders of Fabianism, displayed a new appreciation for the Russian method, and the ways in which Soviet planning could be adapted to the Fabian framework.[10] Pushing further in this direction, G.D.H. Cole, long-term advocate of Guild Socialism, founded the New Fabian Research Bureau (NFRB) and immediately put planning at the centre of its research aims (Toye 2003, 42).

Labour's commitment to planning, however, remained fairly tentative, as it was advocated by active minorities that were themselves unsure of how to concretely define the concept. Only the shock of the events of August 1931—the collapse of the MacDonald government and the splitting of the Labour party—brought planning to the forefront of policy-making (Ritschel 1997, 99; Toye 2003, 44). The MacDonald Labour government, unable to overcome an internal split in the Cabinet over how to tackle deteriorating finances, fell on August 24th 1931. The real blow to the labour Party, however, was dealt when Ramsay MacDonald, having handed in his resignation to King George V, accepted a new mandate with the support of the Liberals and the Conservatives, in what

[10] Beatrice Webb wrote in her diary on March, 25th 1931: "the Russian experiment is so fascinating – they are daring to test their assumptions by observation and experiment – their very ruthlessness may spell failure. […] At present it looks as if Soviet Russia might turn out to be an economic success and a moral failure" (quoted in Toye 2003, 41).

became known in the Labour ranks as the "Great Betrayal" (Toye 2003, 45). The prime minister and his followers in the subsequent National Government were expelled from the party.

The crisis triggered "a major rethink within the Labour Party, not only of policy detail but of the overall political and economic philosophy of socialism. [...] This was a turning-point not only for Labour's economic thinking but for the party more generally—and, arguably, for the intellectual atmosphere of the country as a whole" (*ibid.*, 33). In this context, planning proved a powerful motto to gather a dispersed rank and file, as well as an alternative to its failed policy of gradualness and sound economic guidance. Suddenly, *scientific planning* appeared as a possible link in the transition from a capitalist economy in crisis, towards a socialist Britain, replacing a chaotic economy by an intelligently planned system guided by public interest. In the 1931 election that followed in October, planning had become a central theme: *We Must Plan or Perish* proclaimed the slogan of a Labour campaign that would end up in disaster, the party retaining only 52 seats. This loss, far from leading to a rejection of planning, however, only bolstered Labour's resolve to further its adoption (Ritschel 1997, 99ff).

Before 1931, planning had appeared as one of many options for a disenfranchised British Left accustomed to the ideas of gradualism and constitutional reform integral to Fabianism. Both Mosley's rhetoric, and the apparent success of the Soviet Union however, appealed to fringe members of Labour, for whom planning represented both the answer to the excesses of capitalism, and a bolder first step towards socialism. Furthermore, it embodied a scientific and rational response to a seemingly chaotic situation which the old orthodoxy was no longer able to contain. Despite the lack of a concrete policy, and persistent disagreements about what planning actually entailed, the term turned into a rallying cry for a still aghast Labour, and an antidote to the lack of imagination exhibited by the MacDonald government. Labour's progressive embrace of state

collectivism as its main policy option greatly contributed to putting planning firmly at the forefront of British politics.

Political and Economic Planning (PEP)

Labour radicals were far from being the only ones worried about the effects of unbridled competition on the social order: young Conservatives also thought of planning as a way to regulate capitalism. As LSE Professor T. E. Gregory noted in 1933: "it is true [...] that whilst Socialists necessarily are planners, not all planners are Socialists."[11] Employing the seemingly rational and scientific methods of planning as a way to remedy the failures of capitalism was an idea that transcended party affiliations. Conservative tyros were also eager to put the country back on its tracks, proposing a variety of alternatives to economic orthodoxy, its reliance on the Empire and traditional economic intervention. Planning was there conceived as an *alternative* to state collectivism. In this regard, the position of anti-socialist planners "was fundamentally conservative: to pre-empt or forestall the appeal of socialist planning by moulding the attractive new concept to fit existing social and economic arrangements" (Ritschel 1997, 145). "Capitalist" planning was thus another child of the tumultuous political climate of 1931.

Founded in March 1930, *The Week-end Review* had been quick to establish itself as a dissident Tory magazine, and its focus increasingly shifted towards economic issues as the crisis deepened. Like Mosley, *The Week-end Review* sought to transcend ideological quibbles, and argued for a strong leadership capable of doing away with the perceived apathy of the government (Ritschel 1997, 146). Gerald Barry, the editor, and Max Nicholson, the lead writer, had both been attracted by Mosley's idea of a national plan. However, they had been quick to distance themselves from the

[11] "An Economist Look at Planning," *Manchester School*, vi/1 (1933), 8 (quoted in Ritschel 1997, 144).

New Party when it was formed. Their vision was outlined in *A National Plan for Great Britain,* published in February as a supplement to the periodical. "Sir Oswald Mosley, whose particular proposals are largely inacceptable," the Plan declared, "is certainly right in laying down that the dividing line for the coming period is between those who accept a planned economy and those who reject it."[12] The Plan's purpose was to develop the case for capitalist planning in order to prevent socialists from appropriating the term. Their brand of planning combined robust private companies with limited competition and restrictions on unions, therefore achieving the goal of national reconstruction through judicious state interventions. The Plan's reception was an enthusiastic one, especially among industrialists who felt that the old parties were not fit for the job of redressing Britain.

Formally launched on 29 June 1931, in the midst of the political crisis, Political and Economic Planning (PEP) was a think tank which sought to address both the widespread disillusionment with old politics, and the radicalization of answers put forth to address it. The committee in charge of drawing up its general plan (Tec Plan) was to elaborate a theory of economic planning that would provide other individual committees with an overall framework. Tec Plan members were to:

> ""initiate, draw up, adjust and check the execution of plans", and supervise an impartial application of planning throughout the system. […] Given such a 'scientific technique', Tec Plan assumed that economic policy would become a simple matter of 'scientific arbitration': of 'equations and balances' to be worked out between the 'planning experts' within the various branches of the planned economy" (Ritschel 1997, 164).

Legislative delegation, expertise oversight, and the cult of the scientific method were all part and parcel of the PEP outlook: these professional planners would be in charge of managing and

[12] "A National Plan for Great-Britain," *Week-End Review Supplement*, 14 February 1931, p. v.

balancing the different poles of economic activities. Resolutely pro-business, the proposal was also fiercely anti free-market. Tec Plan envisioned a fully deployable technocratic mechanism, which would be laid upon the ideal of scientific modernization through planning, and which, in their own words, aimed at "replacing the disorderly existing political and economic system by a reconstructed machine *based on the application of science to social and political affairs*" (quoted in Ritschel 1997, 171). Observing these proposals, one cannot miss how unpopular *laissez-faire* had become in large quarters of the business world at this time.

At the same time, the first year of PEP's existence proved the impossibility of reconciling planning with self-governing capitalism. Many of its members, notably older industrialists gathered in its ranks, felt that Tec Plan had carried their enthusiasm too far into the grounds of a "Wellsian utopianism" (Ritschel 1997, 165). This conflict was as much the result of a generational gap as it was about the meaning and boundaries of planning. PEP's Tec Plan was a telling example of how far would-be planners from all ideological horizons were ready to downplay the traditional order with an eschatology comprising the inevitability of planning and technocratic control. In the end, PEP retreated towards more moderate lines, promoting private planning and self-government for industry. But markedly, PEP had styled itself as an organization of experts, made up of a body of "those on whose service technical civilization depends — the administrators, the managers, the engineers, scientists, teachers and technicians."[13] This combination of a belief in science, the power of expertise, and the necessity of planning, reached a peak in the works of PEP, which led to its branding as "capitalist planning." It was in this context of cross-partisan attraction towards planning, especially from traditionally adverse Conservatives, that the neoliberal critique of planning took its roots.

[13] *Planning* 23, 27 March 1934, 5 (quoted in Ritschel 1997, 230).

Nevertheless, one should remember that like planning, science played the role of an empty signifier, which all parties could mobilize for their purposes without seeking to reconcile their views with those of their respective opponents. It functioned much better as a rhetorical device than as a genuine step towards a new scientific politics. Before turning our attention to Hayek, I will show how these ideas, borne out of the 1931 crisis, permeated political discourse until the war. As the decade progressed, planning was perceived as an inevitable outcome, and, furthermore, as well as a prophylactic, lest totalitarianism conquer England as well as the rest of Europe.

PART 2. 'CAPITALIST' PLANNING

The decisive contextual element which influenced the early neoliberals' view that planning was seeping through all the pores of society, was the conversion of mainstream liberalism, socialism, *and* conservatism to the idea that planning represented a scientific solution to the economic crisis. The 1930s, despite its far-reaching ideological dissensions and a lack of productive consensus, saw an internal transition within all parties towards the adoption of state intervention. Most influential of all, perhaps, was the Conservative party's embrace of Macmillan's *Middle way* in the 1930s. Already in 1933, Macmillan was walking a fine line between comprehensive planning and capitalism: "the whole intention of the policy here advanced," he wrote in *Reconstruction*, "is to achieve planning through self-government as an alternative to bureaucracy" (Macmillan 1933, 32). This meant retaining the price mechanism as a key indicator for the system to regulate and automatically adjust itself, while the structure of the economy would be entrusted to self-organized industrial boards, protecting economic freedom and curbing "licence" (Macmillan 1933,

64-78).[14] Macmillan sought to reach moderates from all parties with his plea for a "reasonable compromise between the rival claims of individualist and collectivist conceptions of society," trusting the "English genius" to produce "a new synthesis of these two currents" (Macmillan 1933, 128). Consequently, he became the harbinger of a large swath of reformists who wished to transform the capitalist economy with the means seemingly afforded by 'scientific' controls.

The Next Five Years Group

The argument for the significance of a "middle way" which began in England in the 1930s generally relies on the publication of *The Next Five Years* (1935) to make its case (Marwick 1964). This book-length manifesto, endorsed by 152 personalities from various backgrounds, aimed at providing a programme which could be applicable during a single Parliament term. Michael Freeden called it "the most important political and ideological statement to appear in Britain in the 1930s" (Freeden 1986, 356). Bleakly announcing that the "democratic system was on its trial," the signatories of *The Next Five Years* saw a "new opportunity for political collaboration" where cross-party recruitment could bring together travellers "whose ultimate destinations are diverse." Echoing the common-place feeling that planning would transcend political affiliations,[15] the drafters clarified that the trend towards a "mixed" economic system was inevitable, although a "sphere in which private competitive enterprise will continue within a framework of appropriate public regulation." Subsequently, their proposals favored interventionism and partial planning, in an attempt to

[14] Macmillan offers this important precision: "It is clear, therefore, that our task is not to interfere with the price system itself, but to carry through the adjustments in organization which will enable industry to respond intelligently to the market conditions it reveals" (Macmillan 1933, 74).

[15] The manifesto reads: "[…] the rival principles and catch-words which marked the lines of political cleavage in the past are to a large extent irrelevant to the real issues now. The historic controversy between individualism and socialism – between the idea of a wholly competitive competition system and one of State ownership, regulation and control – appears largely beside the mark, if regarded with a realistic appreciation of immediate needs" (Next Five Years 1935, 5).

gather those who believed "that the State […] must be increasingly active partners both in encouraging and directing economic enterprise" (Next Five Years 1935, 1-7).

Clifford Allen, the leading founder of the Group, was a prominent pacifist and later on an important figure of the Independent Labour Party. He was also one of the few MacDonald supporters during the establishment of the National Government. He took the editorship of the National Labour political journal, the *News-Letter*, which he used to foster an atmosphere of progressive collaboration, and to carry "scientific reconstruction" forward (Ritschel 1997, 243). Articles supporting planning by some future core members of the group, Harold Macmillan, Arthur Salter[16] and Hugh Molson, were regularly published. Praising Roosevelt's resolve in America, Allen pressed for a similar kind of leadership in the U.K.[17] Once again, Macmillan was perceived as a linchpin figure who could help move the National Government towards the Left by influencing the Tory majority in the House of Commons. He had previously tried to put together a cross-party group which would articulate a British 'New Deal' and campaign for its adoption by the National Government (Ritschel 1997, 246). In 1933, he had reached the view that fascism and communism ought to be met with "a positive alternative […] without bloodshed and violence, or the sacrifice of those liberties to which we have become so accustomed as hardly to remember their value" (Macmillan 1933, 126). But Allen became increasingly disappointed with the timidity of the National Government towards planning, and he sought to widen the appeal of his ideas among progressive of all parties. Equally worrying to him was the threat to democracy posed by Mosley's British Union of Fascists or the Labour left; political extremism, diagnosed Allen, was the consequence of the government's inability to tackle the prevailing sense of 'drift' and 'paralysis.'

[16] Salter published *Towards a Planned Economy* in 1934; that same year he was appointed Gladstone Professor of Political Theory and Institutions at All Souls College, Oxford University.
[17] Letter to *The Times*, 26 January 1934 (quoted in Ritschel 1997, 244-245).

In *Britain's Political Future* (Allen 1934), published in the summer of 1934, Allen outlined his vision of a "planned and scientific industrial system" as the natural progression to capitalism, given that the modern economy was coming, one way or another, increasingly under public ownership or regulation. In February 1934, a first manifesto entitled *Liberty and Democratic Leadership* was published, which reasserted the need for the preservation of democracy in the face of "organizations of a semi-military character" who "once in possession of the machinery of government" would "ruthlessly suppress any manifestation of criticism or opposition, applying the methods of the Inquisition to political opinion." The 150 signatories believed that "reason and persuasion" in place of "passion and violence" would triumph in the event that the government renounced its "supine resignation to slow and timid measures of advance" for "swift and far-reaching measures […] with a view to meeting *scientifically* the demonstrable needs of the situation" (Next Five Years 1935, 312-13). In order to conjure up both the power of action, and the preservation of democracy, the manifesto defended a "political method" which "involves treating democracy with a new respect, offering *scientific* schemes of a far-sighted and far-reaching order, commending them by *the methods of reason*, and asking that they should be judged on their merits alone" (*ibid.*, 314). The scientific basis of the pro-planning argument was here as well in display, and the group constituted around Allen was no stranger to employing the rhetoric of science to boost their proposals.

A second manifesto, published in July 1934, developed and expended on the scope of the first, adopting the Macmillan rhetoric of a "new deal" for Britain which would bring "order and design into our economic life" (Next Five Years 1935, 318), as well as stressing areas of immediate concerns like housing, industrial reorganization, parliamentary delegation and international security. Both manifestos were sent to all MPs and members of the government, and widely reprinted in the national press. Intrigued by the newfound prospects of their group, Allen and his

co-authors called for a conference of the signatories in July 1934, at All Souls College. Instead of forming a new political organization as they had hoped, they elected to expand the manifesto into a full-length book.

Scientists themselves actively participated in this venture: Julian Huxley, also a part of PEP, was among its lead writers, whilst important scientists such as Lord Rutherford and Frederick G. Hopkins endorsed the book after publication. In the book's introduction, "science and invention" were portrayed as a "graver menace to civilization," due to the accrued powers of destruction now in the hands of "anarchic nationalism." At the same time, they were celebrated as sources of the "power to produce wealth" and eliminate poverty. "We are challenged," proposed the authors, "to discover the means by which the increased productivity *made possible by modern science and invention* can be utilized to raise the standard of life and establish a satisfactory system of production and exchange" (Next Five Years 1935, 6). The economic proposals had a large interventionist bent, and gave more powers to the state through the establishment of a national planning commission. The state was tasked with remedying the failures of the price system, acting as an *omniscient agent* able to compensate for the incoordination "of individuals or groups who cannot, in the nature of things, see the nation's problems as a whole." This problem of absent co-ordination was the impetus the state needed in order to take positive action towards more planning, and equally, more efficient markets. Yet, the authors were careful to distinguish their approach from that of a centrally planned economy, seeking a middle-course between "the evils of anarchic competition" and a "uniform system of state control" (*ibid.*, 36), and between free trade and protectionism.

All in all, the remedies which were included in these proposals sided firmly with capitalist planning and its model of a modicum of state intervention, rules regulating monopolies, and the preservation of private property and competition. Many of the proposals aimed at overhauling

partial and faulty local initiatives which had been poorly thought out, co-ordinated and executed. In this sense, state planning also meant a stop to interventionist chaos. Two warnings must have rang loudly to committed socialists: the claim that we should "not exaggerate the need for, or the possibilities of, the planning of industry" and that "the objective of planning must be, in general, the same as that of theoretical free competition" (*ibid.*, 77). Although the authors advocated for a greater role of the state in selected sectors, this was balanced out by a comparable insistence on the virtues of competition.

The clear belief shared by the signatories that they had reached a middle way, should not lead us to consider the planning debate closed once and for all. In fact, it strengthens the argument that the "progressive" politics of the Next Five Years failed to materialize precisely because of the irreconcilable ideological differences between political parties. For instance, the Labour party never rallied to these "progressive" alternatives because many of the Next Five Years members were already aligned with the capitalist solution to the planning debate. G. D. H. Cole, reviewing the book, was quick to point out that "this policy, about which there is so wide a measure of agreement, has behind it no organised political power. […] It remains in the air, abstracted from current political realities" (Cole 1935: 723-4). These ideological realignments around new objects, like planning and state intervention, preclude accounts of a convergence between early neoliberals and new dealers.[18] If all parties agreed that more interventions were needed, ideological positions redistributed themselves around the opportunity and limits of the means available.

[18] An inference found, for instance, in Jackson (2010). This convergence view however "ignores the profound fissures within planning itself, which sprang from the same ideological seed-bed as the divisions in contemporary politics at large and which no amount of amiable compromise could bridge. If anything, the Next Five Years initiative serves as a revealing illustration of the severe limits to the possibility of consensus around planning" (Ritschel 1997, 232).

Macmillan's *Middle Way*

Blamed for its timidity, the MacDonald National Government—largely dominated by the Conservative Party—was nonetheless committed to some form of planning as a way to contain the ongoing economic depression. Despite having been elected as a kind of caretaker administration, by 1935, the MacDonald National Government saw itself as responsible for pushing forward a more ambitious agenda of reform. Most participants in the administration acknowledged that planning had now begun, and that England had come further down this path than ever before. The "young Tories" were still at the forefront of the new cause. Willing to give far-ranging powers to the state and industry boards, the Government drafted the 'Self-Reorganisation of Industry Bill' in 1934. The Conservative Research Department (CRD), a Party think tank, was charged with examining the propositions and eliciting the party's position on planning. In his memorandum, CRD researcher Henry Brooke argued that "intervention by the state had been made imperative by the depression and by the growing public demand for a government-sponsored solution to the crisis." Rescinding his party's traditional view, he admitted that: "there was nothing in the historic principles of Conservatism to stand in the way of an interventionist policy. […] Indeed, if anything, it was *laissez-faire* which was alien to Conservative philosophy" (quoted in Ritschel 1997, 224). In his memorandum, Brooke wrote that:

> "The idea which has grown up that any Government intervention whatever in industrial matters is contrary to Conservative principles seems to be due partly to a confusion of thought which imagines any Act affecting private enterprise to be a step towards public ownership" (CRD archives; quoted in Ritschel 1997, 224).

For young conservatives, planning provided an opportunity to abandon the party's economic orthodoxy and to envision a positive role for the state as the caretaker of a market economy.[19] Led

[19] This change within Conservatism in England echoes the debate which would roll out within early neoliberalism between a sociological approach carried by Wilhelm Röpke and a stricter economic approach by Hayek. For Röpke,

by Harold Macmillan, this trend within the Conservative party represented a pragmatic, rather than dogmatic, approach to the problems of his day. Britain, Macmillan asserted in *The Middle Way*: "has been moving along the road towards economic planning for many years now in accordance with the traditional English principles of compromise and adjustment. […] It is only through the adoption of this middle course that we can avoid resorting to measures of political discipline and dictatorship" (Macmillan 1938, 186). The crisis of 1931, from which the trend towards planning had sprung, had marked a rupture of a more profound and permanent nature than just "a simple blink" in the course of economic history (*ibid.*, 7).

More importantly, economic science itself had been left in disarray, incapable of offering a sound way out of the depression. This failure had caused the emergence of a:

> "new school of thought […] interested in the wider aspects of policy and in new conceptions of political, industrial, and general economic planning. […] Expert criticism has revealed the deficiencies of partial or piecemeal planning, and has made it clear that we must carry the idea of planning further, and evolve such a national scheme" (Macmillan 1938, 10).

A forceful advocate of comprehensive regulation as an alternative to partial planning, Macmillan exonerated himself from economic orthodoxy, whether from the right or from the left. In his own words, experimentation was needed for tackling new problems: "the theories that were suitable in one decade may have been falsified in the changed circumstances of the next" (Macmillan 1938, 13). Indeed, the "scientific exploitation" of productive resources, their "harmonious control" and "rational use" would require "new methods of social organization" (*ibid.*, 14). Macmillan's embrace of pragmatism as a political compass meant that scientific knowledge and social reforms worked

state interventions were justified as they both guaranteed the fluidity of the market economy and the maintenance of social and cultural forms which the market eroded. For Hayek, state interventions were only justified through the enactment of general social protection and the framework of the rule of law (see chapter 3).

hand in hand, transcending the ideological divide between capitalists and socialists. In a language which neither Hessen nor Bernal would have disliked, Macmillan urged his readers to:

> "see society […] as an inheritance of the past and a precursor of the future; as a changing and developing structure which must of necessity be modified and adapted to new circumstances. *These changes arise mainly out of the growth of scientific knowledge and achievement.* By the utilisation of new discoveries and inventions, changes take place in the methods of production, and the speed, cost, and convenience of transport" (Macmillan 1938, 109; my emphasis).

Indeed, both *laissez-faire* and socialism were lampooned for their principled approach to social problems, and their inability to articulate a practical and positive answer to them. Conversely, Macmillan's vision, instead of imposing an "artificial procedure," sought to "guide and assist" the "evolutionary trends in society" (Macmillan 1938, 118-9). The road towards planning had already been well travelled, so much so that it made no sense now to revert to the old opposition between *laissez-faire* and socialism, when proof existed that these were able to cooperate side by side in practice.

Above all, Macmillan had managed to gather all the tropes which had made planning popular into one manifesto. First, it promised the application of a scientific method to political issues, transcending party division in order to reach a coalition in times of crisis. Secondly, the false dichotomy of *laissez-faire* or socialism had been replaced with the promise of "intelligent planning," translating ideological oppositions into a new language of scientific objectivity and hands-on control. This allowed for permanent revision and adjustments. As such, this approach was a far cry from the idea of a rigid application of a central and long-term plan. Yet, it constituted the kind of slippery slope without stopping point that Hayek and early neoliberals would come to forcefully denounce.

"Despite Macmillan's claims of continuity," write Fair and Hutcheson, "his gospel of planning departed from traditional Conservatism in two important particulars—its emphasis on structure and its almost total preoccupation with economic matters" (Fair and Hutcheson 1987: 563). Macmillan sided with the New Liberal progressive view of the expansion of freedom through social and economic progress.[20] This view was still controversial within the Conservative party, even though the majority felt that Macmillan represented the way forward and that they shouldn't oppose Labour on planning itself, but rather on the modalities of the plan.[21] Indeed, by the mid-1930s, most of Britain's political debate had moved from the question of "to plan or not to plan" towards "how to plan." At the same time, the rhetoric of science as a justification of planning had shifted from a strong indictment of the irrationality behind *laissez-faire,* to the view that it provided an essential rampart against the rise of totalitarianism, assisting the government in devising rational interventions able to preserve social cohesion, a view congenial to sociologists like Karl Mannheim (see chapter 4).

Bridging the gap?

As the decade progressed, the case for *centralized* planning softened as many of its proponents moved towards more moderate proposals. Labour all but abandoned their hard-line stance on

[20] For instance, in this quote: "The whole of man's history and progress has been a struggle against restraints and limitations whether material, intellectual, or spiritual. His first need is food; his second is access to knowledge; his third is freedom of thought and expression" (Macmillan 1938, 19-20).

[21] This reorientation of the Conservative Party would, in the end, prop up Margaret Thatcher's ascent to power in 1975, by fiercely criticizing the middle way adopted in the mid-30s and pursued by various Conservative government until Edward Heath's defeat in 1974. As Marxist theorist, and staunch defender of planning (and former New Party founder), John Strachley ironically remarked: "If a man were asked to name the greatest single achievement of the British Labour Party over the past twenty five years, he might well answer, the transformation of the British Conservative party." "Butskellism" – the Conservatives' embrace of the Welfare State after WWII – was achieved through policy groups that aimed at dragging the Conservatives to the Left (The Bow Group, Conservative Political Centre, One Nation Group). It ultimately provoked: "A drift, therefore, towards socialism and corporatism [which] was a prominent feature in Conservative regimes from 1951 to 1964 and 1970 to 1974" (Fair and Hutcheson 1987: 565). However, "the bases for an intraparty rift had been laid as early as Hayek's publication of *The Road to Serfdom* in 1944" (Fair and Hutcheson 1987: 567).

planning in 1937, PEP had dropped their planning ambitions after 1935, and Macmillan, publishing *The Middle Way* in 1938, had unexpectedly unveiled a much larger programmatic ambition, one where planning was reserved only for clearly identified sectors of economic activity. The publication of Keynes' *General Theory*, as well as the popularity of the man himself, had given reformers of all parties something else to look forward to, and restored some measure of trust in economic science. "Despite their continued doubts and reservations," observes Ritschel, "both Labour socialists and Liberal progressives embraced Keynes in large measure because he promised to deliver many of their traditional aims of social reform and economic security without the political antagonisms aroused by the more rigorous approach of planning" (Ritschel 1997, 342). The popularity of extensive economic controls had subsided in the minds of radicals of all parties. What remained was a largely interventionist program modelled on Keynesian demand management, but without the divisive and controversial issues which had haunted central planning.

In the end, there was nothing left for liberal economists to strongly disagree on, since both sides of the debate came to share more than they would have admitted:

> "There was agreement about the pre-eminence of consumer sovereignty, about the centrality of freedom to the debate, and about resource allocation as the key issue. Above all, both sides accepted the undesirability of controls or planning in the sense of administrative allocation of resources as long-term mechanisms, believing them to be both inefficient and a threat to freedom" (Tomlinson 1992, 157-8).

Above all, no one was denying the necessity for greater state involvement, whether direct or indirect. Both liberals and socialists agreed that the old model of *laissez-faire* was downright dangerous for a world caught in the grip of totalitarianism, and that the alternative lay with some modicum of mixed economy.

Early neoliberals themselves were in favour of some measure of state intervention, and constructed a positive project which did not offer a blanket critique of state intervention, but promised a "positive program" which could redress the economy (Jackson 2010: 134). Both Henry Simons in the U.S.A. and Alexander Rüstow in Germany predicated their policy recommendations upon a "strong state" which could control monopolistic tendencies, and a "free economy" where private ownership and the price mechanism remained the bedrock of the allocation of resources (Simons 1934; Schulz-Forberg 2014, 32). Their proposals entailed a wider redistribution of resources and the same commitment as progressive liberals and the moderate left to a democratic regime: dissensions thus largely focused on methods and means, not ends and ideals (Jackson 2010: 136). Henry Simons opened his *Positive Program for Laissez-faire* published in 1934 with the observation that:

> "there is now an imperative need for a sound, positive program of economic legislation. […] In earlier periods, [our economic organization] could be expected to become increasingly strong if only protected from undue political interference. Now, however, it has reached a condition where it can be saved only through adoption of the wisest measures by the state" (Simons 1934, 2).

With the notable exception of Mises, few free-market economists denied that better state controls were needed in order to rein in the economic crisis. The policy options favoured by early neoliberals did not seem particularly radical in the context of the 1930s, in fact, they were viewed as fairly common and in line with a more liberal understanding of planning. Early neoliberals did not side squarely with any side of the political map before the WWII, except as anti-socialists and anti-totalitarians. What thus made the early neoliberal project distinct from middle-of-the-road liberal politics? Beyond concrete policy orientations, I argue that their shared critique of science as the bedrock of social reform accounts for the convergence of early neoliberalism.

Keynesianism was thus *not* located at the opposite pole to early neoliberalism. Besides, many neoliberal thinkers were actually swayed by Keynesian economics.[22] Polanyi admired Keynes' *General Theory*, citing them as the basis for his movie project. If intellectual friendship kept growing between Hayek and Keynes throughout the war, the epistemological rift remained. Keynes perceived the task of the mind "as weighing probabilities in an indeterminate world in order to discover the best option for action. In his perspective, what cannot be known is beyond the pale of calculation and therefore must yield to that which can be known" (Hoover 2003, 114). Many of Keynes' liberal critics admonished him for sticking to the "politically possible" and disregarding the adequacy of his scheme for the development of sound economic theories (Cockett 1994, 46-47). Keynes' critiques from the neoliberal quarters did not revolve around his political involvement, but rather around his misappropriation of economic science for policy purposes. In other words, Keynes was accused of *betraying his profession*, of making economic science subservient to social and political expediency, and hence a kind of pseudo-science.[23] What eventually glued together early neoliberals was their shared epistemological commitments vis-à-vis the relationship between scientific knowledge and social expediency, commitments which were reciprocally dependent on their preference for a market system in a liberal order.

[22] Richard Cockett, in his pioneer book on the early history of neoliberalism, gets it quite wrong when he affirms that: "the academic debate between the 'Keynesians' and the economic liberals during the 1930s, sometimes referred as the 'economic calculation' debate, was, it could be said, the crucial intellectual debate of the century in the democratic West" (Cockett 1994, 34). He ignores both the narrowing of the gap between the two camps, as well as their shared commitment to capitalism and liberalism against central planning and totalitarianism. Additionally, Keynesianism and the socialist calculation debate constitute two separate intellectual debates, with different actors and problems. Similarly, David Harvey mistakenly locates the neoliberal project in the fight against Keynesian policies and the embeddedness of capital within social and institutional constraints (Harvey 2005, 9-10).

[23] Keynes' *General Theory,* for example, had been firmly based on the political judgement that wages could not be lowered during the Depression. Demand management was nothing more than "a constant race between the printing presses and the business agents of the trade unions," as Jacob Viner said at the time (in Cockett 1994, 43).

PART 3. HAYEK'S EARLY ENGAGEMENT WITH PLANNING

The aim of the preceding sections has been to expose the distance between the British planning debate, and the equation put forth in Hayek's *Road to Serfdom* that planning necessarily entailed socialism or totalitarianism. On the contrary, planning was used polemically across the political spectrum to denote competing projects of economic regulation, some of which were overtly pro-capitalist. In a way, the idea of "planning for competition" which would become a trademark of neoliberal thought in the late 1930s found roots in the British reflections of the decade, especially from think tanks like PEP. Before addressing Hayek's answer to English planners, some elements of his intellectual trajectory will help shed some light on his approach to economic science, and the singulars answers he provided to the planning debate.

Before London: Vienna

Early neoliberalism owed its scientific imagination to the strong contingent of polymaths and philosophers of science who participated in its elaboration. Alfred Schutz, Felix Kaufmann, Karl Popper, Ludwig von Mises, Friedrich Hayek, among others, were all refugees and exiles from Austria. They had been immersed in the scientific world and volatile political situation of the interwar period in Central Europe. They unanimously perceived the dissolution of the Austro-Hungarian Empire as a sheer disaster, one which had been responsible for the rise of antagonistic politics in which nationalism and conservatism were pitted against growing Communist

movements.[24] During that time, Vienna had undergone one of the most radical municipal experiments of the 20th century, with large-scale social policies promoted by the Austrian Socialist Party.

In 1919, Otto Neurath, the president of the Central Planning Office in the short-lived Bavarian Soviet Republic, advocated a centrally-planned economy where money would be abolished and trade would be made in kind. Before the war, Neurath had been a participant in the seminar led by famous Austrian economist Eugene Böhm-Bawerk, along with Joseph Schumpeter, Otto Bauer (one of the leaders of Austro-Marxism), Emil Lederer. Ludwig von Mises later remembered him for the "nonsense" he presented with "fanatical fervor" (Caldwell 1997, 5). Published in 1920, Mises' refutation of Neurath's scheme, published in 1920, triggered the *Planwirtschaft* debate in Vienna. Mises argued that economic calculation was naive and unmanageable without the indispensable role of prices as signals of the relative value of factors of production (Mises 1951; Caldwell 2004, 116ff). Against Neurath's wish to institute a scientific management of the economy, Mises claimed that the complexity of the economic system made its apprehension in one mind or place so difficult as to be near impossible.

At the time, this debate received considerable attention, in part because physics and economics had displaced theology as the main subjects of intellectual dispute in Vienna. In both disciplines, the Austrian scientific "culture of uncertainty" was unique in Europe:[25] their embrace of

[24] Karl Popper wrote in his autobiography that "the breakdown of the Austrian Empire and the aftermath of the First World War, the famine, the hunger riots in Vienna, and the runaway inflation […] destroyed the world in which I had grown up" (Popper 1992, 31).

[25] The peculiarity of Austria's scientific culture is described by Coen as being a "culture of uncertainty," one which owed to "an alliance of science and liberalism which could be said to relate to, and yet be irrefutably distinct from, those that had emerged elsewhere in Europe in the nineteenth century. Recent historiography makes certain tentative generalizations possible. In Western Europe, liberal elites tended to embrace science from above in the name of social intervention. British and French liberals adopted statistical reasoning, in particular, as a guide to engineering society (even as they understood the stability of statistical laws to signal the limits of government intervention). In France statistical thinking became part of the liberal tradition of Comtean positivism, which valued

probabilistic theory "was tied to a characteristically liberal and anticlerical rejection of absolute claims" (Coen 2007, 13) whilst "philosophers who challenged certitude often led efforts for social reform and popular scientific education" (Hacohen 1998: 718). Indeed, Neurath wrote in 1929 that liberalism was at that time: "the dominant political current in Vienna. Its world of ideas stems from the enlightenment, from empiricism, utilitarianism and the free trade movement of England. In Vienna's liberal movement, scholars of world renown occupied leading positions" (quoted in Smith 1994, 14). As a matter of fact, even Austrian Marxism was unique in that it drew heavily from the ideas of Ernst Mach, blending socialist economics and a positivist philosophy of science, hoping to attain a truly scientific socialism. A rare fluidity existed between the new discoveries of the physical sciences, their impact upon philosophical debates, and their translation into social or economic theories.

If Ludwig von Mises never held a formal appointment at a university, his *Privatseminar* became the meeting place for a new generation of liberal economists, first among them Friedrich Hayek. Discussions ranged from sociology to psychology, from logic to epistemology, whilst keeping a strong focus on the "methodological and philosophical foundations of economics" (Hayek 1992, 27).[26] Participants were kept abreast of the latest philosophical developments through the participation of Felix Kaufmann, a member of the Vienna Circle which had been formed in 1924 by

knowledge for the sake of prediction and control. Like the Austrians, French positivists could be bitterly anticlerical and contemptuous of dogmatism, but unlike the Austrians they insisted that scientific laws were "immutable" and "universal." East of the Rhine, the stress fell more heavily on science's value for character building. In Prussia and Baden, as in Austria, liberals embraced empirical science as a model of independent thinking and consensus building. In Prussia and Baden, however, with their burgeoning electrical and chemical industries, liberals concerned themselves more immediately with industrialization than their Habsburg counterparts, and promoted science for practical ends. Like the French, they emphasized the predictive value of scientific laws" (Coen 2007, 11-2).

[26] Hayek was also a founder of the "Geist circle" which comprised Herbert Fürth, Friedrich Engel-Janosi, Gottfried Haberler, Fritz Machlup, Oskar Morgenstern, Alfred Schütz, Felix Kaufmann, and Karl Menger. Alfred Schutz elaborated his *Phenomenology of the Social World* (1967[1932]) in discussion with Austrian social theory as he sought to reconcile Husserlian philosophy with the subjectivist standpoint of Austrian economic theory (Kurril-Klitgaard 2003; Knudsen 2004).

philosopher Moritz Schlick.[27] In its 1929 manifesto "The Scientific Conception of the World," the Vienna Circle had confidently articulated its views that a scientific approach to social problems, based on empiricism and logic, ought to shape economic and social life in accordance to rational principles. In addition to Neurath, many of its influential members like Rudolf Carnap, Hans Hahn, or Philip Frank, had socialist leanings, and conceived the philosophical work of the Circle as being intimately tied to the rationalization of politics and progressive social change.[28]

In its early days, the logical positivist movement had a distinctly political flavor: not only was it friendly to collectivist planning, but it sought to incorporate the ideals and methods of planning into science itself (Reisch 2005, 238). Presenting the unity of science movement, for instance, Neurath considered all of the sciences as many means to refashion society along egalitarian lines (Caldwell 2000, 17). The Vienna Circle's conception of a unified and scientific world equipped its members with the philosophical and methodological basis for the conciliation of politics, science, and everyday life, which could lead to a comprehensive reform of society (Stadler 2015, 255). As a result, their positivist philosophy of science came to be conflated, in the minds of their opponents, with socialist politics and economics. Neurath's radical politics rebutted someone like Hayek, whose interest in joining the Circle had been sparked by Felix Kaufmann (Smith 1994, 11), who

[27] Felix Kaufmann was decisive in convincing Alfred Schutz to abandon the aprioristic tenet of the Austrian school and to come to view "the basic assumptions in a theory, not as synthetic a priori principles, but as 'conventions' or 'procedural rules' that were neither true nor false, but appraised according to their 'heuristic value'." (Knudsen 2004: 55). Knudsen (2004: 57-8) also argues that Duhem's and Poincaré's conventionalism was decisive in moving Schutz away from Austrian theory towards an intersubjective understanding of knowledge. To a large extent, this same conventionalism constituted the bedrock of Louis Rougier's epistemology. The role and influence of Felix Kaufmann, a law scholar, in these epistemological mutations of early neoliberalism and its revision of the concept of the rule of law, remain largely unknown.

[28] In these years, Karl Popper was himself a member of the Austrian Socialist Party, experiencing first-hand the bloody confrontation between left and right during the 1934 Austrian civil war (Hacohen 2000, 300-1).

ascribed to Neurath's "extreme" and "naive" views on economics his conversion away from positivism (Ebenstein 2001, 157).[29]

In 1935, Karl Popper published *Logik der Forschung*: his epistemological critique of the positivist premises of the Vienna Circle. Otto Neurath and Rudolf Carnap were singled out for their defense of physicalism: the view that scientific theories are little more than a formal system of signs with their corresponding rules for application—a "practical analog" to social reality. In order to undermine their 'logical empiricism', Popper proposed that theory and experience constantly modified each other by way of criticism; to such an extent that "the empirical basis of objective science has thus nothing 'absolute' about it." Popper sought to demonstrate the superiority of his critical rationalism by famously proclaiming that science did not "rest upon solid bedrock" since "the bold structure of its theories rises, as it were, above a swamp" (Popper 2002b[1935], 93-94). The falsification device preferred by Popper to test the validity of theories did not convince the rest of the Circle, and Neurath remained adamant that Popper's view of science as a "permanent revolution" neither reflected scientific practice, nor served it well (Hacohen 2000, 268).[30]

Paradoxically, Neurath and Popper were much closer to each other than they were to some of the other members of the Circle: both embraced a revised conventionalism, combining anti-absolutism and non-foundationalism, which rejected the view that scientific knowledge "corresponded" to reality. More importantly, Popper renounced any psychological foundation to knowledge, something which would later become important for Hayek's own rupture with Mises' *a priori* praxeology of human action (Hutchison 1994, 212-240). In the cases of both Hayek and Popper,

[29] Hayek attributed the rise of mathematical economics among former friends to the nefarious influence of the logical positivists: Oskar Morgenstern, for instance, was attending Schlick's seminar (Hacohen 2000, 317).

[30] For Neurath's answer to Popper, see his "Pseudorationalism of 'Falsification'" (1983[1935], 121-31). On the Popper-Neurath debate, see Cat (1995).

their disengagement with the Viennese intellectual context entailed the belief that science could not rely on either deductive apodictic structures, nor empirically derived protocols, to guarantee its validity.[31] Instead, they reckoned that truth corresponded to the result of an *intersubjective process*—thereby 'socializing' epistemology (Shearmur 1985, Jarvie 2001). Indeed, for Popper and Hayek, the validity of this process depended upon three interrelated provisions: the methodology employed for discovery and justification, the design of its institutions, and the values shared by its participants. This focus on epistemology had major consequences on their vision of science and liberalism, since the conditions of truth and social order were derived from the same fundamental principles. They were conventional rules shared by participants which could be revised and improved according to an established method.

The LSE and liberal thought at the beginning of the 1930s

The "warm bath" that Hayek felt he had stepped into when he arrived in England was in no small part the work of Lionel Robbins. Robbins had been the leader of the economics department at the LSE since the retirement of Edwin Cannan, who remained the spiritual father of a department paradoxically anchored on the liberal side.[32] Led by Robbins and Arnold Plant, the LSE Economic department was a stronghold of free-market thinkers.[33] Robbins, however, sought to distance himself from Cannan's parochialism, and was looking to import ideas from foreign academic

[31] In a little-known paper written in 1966 for a symposium celebrating the 50 years of Mach's death, Hayek confessed that upon arriving in Vienna to take up their studies in the immediate post-WWI years, his contemporaries and himself "found in Mach almost the only arguments against a metaphysical and mystificatory attitude." "From Mach," Hayek writes, "one was then led on to Helmholtz, to Poincaré and to similar thinkers, and of course, for those who went into the matter systematically such as my friend Karl Popper, to all the natural scientists and philosophers of the period" (quoted in Smith 1994, 15).

[32] The story of the foundation of the LSE, the desire of Sydney Webb to recruit the best persons independently of their ideology, his belief in the "inevitability of gradualness" that the discovery of scientific facts would lead to the adoption of socialism are well-known. For a historical overview of the LSE, see Dahrendorf (1995).

[33] "So far as economics was concerned," reminisced Hayek, "the LSE had become one of the very few centres of teaching in which the tradition of classical liberalism was carried on" (Hayek 1995, 52).

traditions in order to refute Keynesian solutions to the economic slump. In England, his originality in England had been achieved "by elaborating on the insights of foreign sources that his colleagues found largely obscure" (Burgin 2012, 20). Proficient in German, a rarity among his peers, Robbins saw in Austrian theory the antidote to the propagation of inflationism and protectionism associated with Keynes and the Cambridge Circus (Klausiger 2006: 630). As a result, Hayek and Robbins, both in their early thirties, hoped to transform the LSE department into a theoretical stronghold, and move away from the two dominant trends of their day: institutionalism and econometrics. Their intellectual proximity was widely complemented by their personal affinities: Robbins, being Hayek's mentor in the English academic world, contributed insights and support in Hayek's formative years. In a letter to Popper in 1943, Hayek described Robbins as "my closest friend whose opinion I value greatly."[34]

Early neoliberals, contrary to Keynesians in Cambridge, or institutionalist economists in Harvard, shared no intellectual centre which supported a coherent development of their ideas. They remained, at first, separated, working along individual lines often dictated by the popularity of competing views. Whatever influence they possessed, they did not garner any attention from the media or promising students, whom were often attracted to the apparent rationality of economic intervention (Burgin 2012, 15). This common diagnostic ought to be tempered, however. If early neoliberals appeared isolated at the local level, they were generally well integrated into international networks of expertise, in which they could make their point of view heard. As was the case with Hayek and Robbins, many of them maintained personal friendships and collaboration through visits, fellowships, and conferences.

[34] Letter Friedrich Hayek to Karl Popper, 27 December 1943, Popper Papers, box 305.

With his arrival in England, Hayek had not only brought his expertise on the German-language *Planwirtshaft* debate of the 1920s, but he had allowed his own thinking to adapt to the peculiar state of opinion he found there. His inaugural lecture at the LSE, "The Trend in Economic Thinking," revealed Hayek's fundamentally epistemological thinking about economic problems: what is recognized as science? How is knowledge constructed within economic science? How is this knowledge circulated among a wider public opinion? Already in 1933, his answers were clear: economic science is obviously distinct from the natural sciences. Following the Austrian tradition, Hayek saw individuals as the first agents of knowledge; and what mattered most was not the state of economic knowledge, but how this knowledge was mediated and adapted for public consumption. Through antireductionism, methodological individualism, and social epistemology, the seeds of Hayek's subsequent "knowledge-based arguments" were sown. The later extension of his "research program" (Shearmur 1996a) was tributary to his epistemological critique of planning, particularly his nascent sociology of science, which would later become central to his developing conception of the crucial role of the theorist, and of theories proper.

According to Hayek, the poor state of economic science was mostly due to the inversion of the relationship between politics and theory. While the scientific economist cautioned against government interference, the layman constantly demanded visible change in society. Social enthusiasm and suffering trumped the authority of economic science (Hayek 1991[1933], 17) whose lessons were being dismissed in favor of makeshift populist interventions. For Hayek, the role of economic science was thus to temper the "emotional revolt" which goaded the government into acting more and more in times of crisis. The "most anxious" task of the economist was to ensure that his insights were made clear and brought changes to the public's "attitude to practical problems" (*ibid.*, 14). Because the invisible mechanisms of market coordination remained obscure to common sense, they were widely considered to be the product of human design. However,

Hayek warned that: "the field for rational State activity in the service of the ethical ideals held by the majority of men is not only different from, but is also very much narrower than is often thought" (*ibid.*, 27-8). Theoretical advances had failed to keep up pace with the ideological diffusion of the soundness of governmental control that had spread from Bismarckian Germany, to Fabian England, to America's reformism. There was a "refusal of modern progressivism to avail itself of the knowledge he [the economist] can provide" (*ibid.*, 30). This constituted a direct attack against the widespread support for limiting competition as well as regulating prices, production, and wages, in the name of scientific planning. Already in his inaugural lecture, Hayek sensed that the epistemological gap between specialist knowledge and public opinion could not be crossed easily: expediency and enthusiasm clashed with the cold rigors of economic science.

Nonetheless, Hayek was confident that "scientific knowledge" would be "a solvent for differences" (*ibid.*, 30), maintaining thus his commitment to the universal validity and objectivity of economic science. This "scientific knowledge," however, had been equally claimed by planners to discredit *laissez-faire* economics and advance their own rational course of action. The paradox of planning, I argue, lay in the displacement of a largely theoretical economic science by the experimental method of the natural sciences. Hayek had, by that time, already developed a clear conception of the dangers of importing the methods and criteria of validity of the natural sciences into the sphere of economic science. In his 1931 lectures "Prices and Production," he had rejected quantitative theories because they overrode the particular knowledge held by individuals, in order to achieve wide-ranging equivalence:

> "For none of these magnitudes as such ever exerts an influence on the decisions of individuals ; yet it is on the assumption of a knowledge of the decisions of individuals that the main propositions of non-monetary economic theory are based. It is to this "individualistic" method that we owe whatever understanding of economic phenomena we possess" (Hayek 1931, 4).

Restating two classic Austrian premises, Hayek defended that our understanding of the world was irreducibly subjective; and that any economic theory which bypassed the individual was in search of some equivalence or equilibrium that were not only unattainable, but ultimately meaningless. There existed a clear segregation between economic science on the one hand, dealing with the individual, her knowledge, motivations, behaviours, and economic activity on the other hand, filled with the unintended consequences that result from interactions between numerous individuals. Therefore, the world of men was not a mirror of the world of nature:

> "While the movement of the heavenly bodies or the changes in our material surroundings excited our wonder because they were evidently directed by forces which we did not know, mankind remained—and the majority of men still remain—under the erroneous impression that, since all social phenomena are the product of our own actions, all that depends upon them is their deliberate object" (Hayek 1991[1933], 15).

In Vienna, Hayek had observed how natural scientists and philosophers had brought about a technical conception of economics, assimilating planning as a scientific experiment. Once more in England, facing the same claims, Hayek cordoned off the territory of economic science from its assimilation into a technology of management, or a selection of ready-made recipes which could be adopted in times of trouble. As a result, the development of Hayek's epistemological ideas came through the curious meeting of his Austrian style of thought with the British planning debate.

In 1933, Hayek and Robbins both focused their energies on critical inquiries into the economic consequences of policy proposals pursued by others. Consequently, the tone of their writings was overwhelmingly negative (Burgin 2012, 27). Robbins, who had hoped to import Austrian theoretical thought into the LSE, now found that Hayek's goal was more to refute socialism than to pursue the scientific project of Austrian economic theory that, arguably, was on its last legs (Klausiger 2006: 655-56). Despite the multiple avenues taken by the planning debate, Hayek systematically conflated socialism and planning, voluntarily brushing away the attempts at

capitalist regulation from PEP. In the same vein as Mises, he thought that planners were all socialists in the making.[35] Only with Hayek's arrival was the critique of interventionism able to take an epistemological turn.

Hayek's critique of planning in Collectivist Economic Planning

When he edited and published *Collective Economic Planning* in 1935, Hayek had already begun to transform his thoughts in light of the developments surrounding the planning debate in Britain. His earlier hesitancy regarding the way to influence public opinion had been overcome, and it was with a sense of urgency that he now invited his readers to consider the different solutions. In line with his commitment to economic science as a universally valid science, his goal was to bring socialism out of the ethical and psychological realm, and to pursue a scientific battle against it; in other words, to subject its ideology to a scientific examination of its proposed means. "On the validity of the ultimate ends science has nothing to say," pronounced Hayek, "[t]hey may be accepted or rejected, but they cannot be proved or disproved. All that we can rationally argue about is whether and to what extent given measures will lead to the desired results" (Hayek 1997[1935], 62). Like Mises in the preceding decade, Hayek was confident that a technical demonstration was all that was needed to undermine socialism and tarnish its ambitions.

Although Hayek did not sense the arrival of the Keynesian winds of change, his investment in the planning debate broadened his conception of the market as an indispensable corollary to the economic problem in a liberal order in two major ways. First, it extended his comprehension of

[35] In 1933, Hayek claimed that: "I have discussed planning here rather than its older brother socialism, not because I think that there is any difference between the two (except for the greater consistency of the latter), but *because most of the planners do not yet realise that they are socialists* and that, therefore, what the economist has to say with regard to socialism applies also to them. In this sense, there are, of course, *very few people left today who are not socialists*" (Hayek 1991[1933], 28; my emphasis).

the information-capacity of the market. Prices were not only signals of relative value, but our reliance on them to make economic decisions and foresee conjunctural changes was dependent on markets being competitive. In other words, the information which was revealed by prices was not only carried by, but generated through, the inner workings of the market. This was a crucial insight. Secondly, economic science was decisively limited as to the kind of problems it could solve. The popular equation of the economic problem with a technological one, in the public and planners' mind alike, had contributed to this profession's demise.[36] Hayek's critique thus pivoted around one single mechanism: the (seemingly infinite) extension of the market worked hand in hand with the epistemic limitations of other disciplines aiming to correct its workings. His epistemology of economics entailed, paradoxically, a continuous production of new knowledge within the boundaries of a radical scepticism towards intervention.

The limits of engineering

Let us now tackle these two steps, the boundaries of economic prediction and the heuristic function of markets, in reverse order. The Austrian argument against planning, which takes its roots in Mises (1935[1920], 1951), posits that the level of complexity reached by industrial societies makes the search for a centralized system of economic control not only impractical, but irrational. "In a society which is to preserve freedom of choice of the consumer and free choice of consumption," wrote Hayek, "central direction of all economic activity presents a task which cannot be rationally solved *under the complex conditions of modern life*" (Hayek 1997, 89-90; my emphasis). To that end, Hayek painstakingly differentiated the problems and methods of the engineer with those of the economist: one dealt with technological problems requiring definite

[36] Hayek writes that: "The increasing preoccupation of the modern world with problems of an engineering character tends to blind people to the totally different character of the economic problem, and is probably the main cause why the nature of the latter was less and less understood" (Hayek 1997, 55).

solutions, the other with problems of scarcity to which no optimal solution exists. Throughout the planning debate, Hayek and others showed that no engineered solution could bypass the market for the coordination of economic agents. Moreover, they demonstrated that any attempt at engineering economic outputs would still require prices (and more likely competitive prices) in order to reveal the relative value of intermediate and final products.

As with Polanyi (see chapter 1), this mistake was due to the concealed nature of the economic problem: "the fact that in the present order of things such economic problems are not solved by the conscious decision of anybody has the effect that most people are not conscious of their existence" (Hayek 1997, 56). The invisibility of Smith's hand made it suspicious to the layman. In the end, method is what distinguished the two outlooks, more than their ultimate aims. In the social sciences, complex phenomenological elements could be empirically known, but their individual root cause could not be reached because of the impossibility of testing them in identical conditions, and thus of arriving at general laws. As a consequence, the kind of knowledge which one acquired with the positivist method could not guide policy interventions without renouncing analytical certainty. Because of the complexity and scale of the economic problem, quick fixes were likely to lead to adverse and unintended consequences. Thus, economic science led to scepticism in the face of crisis. Like Polanyi, Hayek perceived the obscure workings of economics as requiring both explanation and passivity.

As a result, Hayek's sole preoccupation was not only to demonstrate the inadequacy of planning, but also to understand its powerful attraction despite its seemingly unscientific basis. "To bring order to such a chaos," Hayek wrote in the opening paragraph, "to apply reason to the organization of society, and to shape it deliberately in every detail according to human wishes and the common ideas of justice seemed the only course of action worthy of a reasonable being" (Hayek 1997, 53). In planning Hayek identified a psychological bias towards rationalist designs, which he would flesh

out for the better part of the next decade in his historical reconstruction of scientism (see chapter 4). This bias was embodied in the socialist ambitions to bring about social reform, as well as in the application of experimental methods belonging to the natural sciences to social problems.

Yet the do-nothing attitude of the Austrian economists did not sit well with the British *zeitgeist* (see *supra*). Hayek was conscious "that to most people the engineer is the person who actually does things and the economist the odious individual who sits back in his armchair and explain why the well-meaning efforts of the former are frustrated" (Hayek 1997, 57). In order to escape popular resentment, he devised an alternative form of planning, 'good' planning, which would not perturb the hidden operations of the market; in other words, planning *for* competition. In his answer to would-be 'capitalist' planners, Hayek emphasized, somehow unfairly, their neglect towards institutional design, i.e. "the most appropriate permanent framework which will secure the smoothest and most efficient working of competition." Already in 1935, Hayek intuited that this "permanent framework of institutions" was the only possible object of successful planning, because it aimed "to provide all the necessary incentives to private initiative to bring about the adaptations required by any change" (Hayek 1997, 66). This distinctly "neo-"liberal voice, which echoed Simons' *Positive Program* in Chicago, emerged as a reaction both to the perceived inaction of 'classical' liberals, and to the proposals of 'capitalist planners' emanating from the PEP and Conservatives.

Heterodox economics

The second matter of interest regarding Hayek's contribution to the planning debate can be found in his gradual retreat from a strict orthodox approach. Two elements were particularly decisive: his move away from equilibrium as the ideal economic state, and his treatment of the market not only as a coordinator of information, but as a generator of information.

For reformists, criticizing the pitiful state of economic theory served a double purpose: it allowed them to blame it for the perceived economic chaos, and to magnify the apparent originality of their own schemes. Hayek thus attacked the "classical system of political economy" which "had been based on insecure and in parts definitely faulty foundations" (Hayek 1997, 57). He primarily targeted the theory of value pinned on labour, the one used by classical and Marxist economics alike. Starting from a Mengerian theory of subjective value, Hayek restated that no single scale of values could ever be established, making the problem of attributing value to different products solvable only by means of competition (Caldwell 2004, 17ff). In his seminal manual of economic science, published in 1932, Robbins had advocated that interindividual comparisons of preferences and utility were meaningless and unscientific, thus deflating the welfare economists' case for the existence of something like 'social utility' which justified interventions (Robbins 1932, 122ff).

In the same vein, Hayek distanced himself from an equilibrium-oriented economic theory, pointing out that an excessive preoccupation with the conditions of a hypothetical state of stationary equilibrium had caused economists and planners to draw a misleading picture of the economy. According to him, no economic system could be assumed to be in a state of rest; no data was ever constant or unchanging. These two factors made equilibrium at best a working hypothesis, or an ideal-type situation, against which reality could be judged, and not the end-state of an empirical economy. Furthermore, the role of incentives, which was central to Austrian thinking, had been inadequately taken into account. In the end, equilibrium economics suffered from the gravest of defaults: it did not account for the dispersed nature of information held by economic agents, making the realization of any kind of equilibrium a purely theoretical fantasy.

In conclusion, all of these arguments converged to a single point: competitive markets possess invisible virtues that make planning politically fashionable in times of crisis, but economically

disastrous. Only competition reveals the true cost and value of production; monopolies cannot operate without foregoing the knowledge of correct prices. The issue is equally problematic on the demand side: to calculate all the relative scales of values for all individuals would render such a system of equations untenable and, what's more, "absurd." The sheer mass of data would prove unworkable and constantly in flux, since tastes and preferences are never absolute but relative one to another (Hayek 1997, 96-97). Through the system of prices, markets perform an instant synthesis of this dispersed information.

Hayek nevertheless took a decisive step forward whilst contemplating a mathematical solution to planning: how can all the relevant data be present in the head of the planner? Furthermore, how could this knowledge even be presumed to 'exist'? "Much of the knowledge that is actually utilized is by no means 'in existence' in this readymade form," answered Hayek, pointing at a key issue of equilibrium theory which worked from "the assumption that a certain range of technical knowledge is 'given'" (Hayek 1997, 95). Thus the first justification of a decentralized market economy does not depend on the coordination of vast amounts of discrete information. The point is that these pieces of knowledge can only be generated in a competitive economy (Lavoie 1985, 102): "It is not that there are millions of bits of objective data to be handled," Tomlinson sums up, "but that knowledge of, for example, possible production techniques arises only because of competition and is inherently subjective, specific information available only to those who discover it" (Tomlinson 1992: 157). Hayek's "knowledge-based" critique of socialism is derived, almost single-handedly, from this crucial intuition.[37]

[37] Don Lavoie, himself an Austrian economist, places his study of the socialist calculation debate under the sign of Hayek and Polanyi's theory of knowledge: "It is one of the main themes of this study that economic rivalry among competitors in the market generates knowledge that no rival on his own could have possessed in the absence of that rivalry. This, as I think Michael Polanyi has shown, is a special case of the way that knowledge in general grows, the way that progress is attained within the "Republic of Science." Scientific discovery is a process that fundamentally depends on contention among separate rivals […] The outcomes of such processes are necessarily

Even though the debate around socialist planning remained largely technical, two factors account for its importance: on the one hand, economic discourse had once again become central to public policy in the 1930s, due in no small part to the Keynesian 'revolution'; on the other hand, "the debate had a major impact on economists on the left in Britain, and thus on people who were to have a significant role when the political balance of forces shifted in the 1940s" (Tomlinson 1992: 156). Economic science, which had seemed all but discredited in the first half of the decade, actually resurfaced at this time. In refuting arguments for planning, Hayek hit upon a much bigger problem for economics than he had envisioned at the outset, and more severe limitations for others to solve it. In the end, the planning debate was but a first step in Hayek's ambitious epistemological program, one which would decisively shape the novelty of his liberalism. That much he himself admitted when he remembered that:

> "It was still more or less an accident when in 1935, in editing various essays on socialist planning, I contributed myself two fairly long essays to it. *But I got increasingly interested in the philosophical and methodological questions which, I came to be more and more convinced, were ultimately responsible for some of the current political differences.* The decisive step in this development of my thinking was the paper on "Economics and Knowledge," which I read in 1936 as the presidential address to the London Economic Club. Together with some later related papers reprinted with it in *Individualism and Economic Order*, this seems to me in retrospect the most original contribution I have made to the theory of economics" (Hayek 1994, 79; my emphasis).

It is now time to turn towards this self-avowed transformation. Resonating with Polanyi's own move away from chemistry, which began a reassessment of the common foundations of liberalism and science, Hayek's turn away from economics towards a more comprehensive view of the role

unpredictable in advance of their actual working out or living through. They are what Hayek calls *discovery processes*, processes that can reveal new knowledge that the rivals who created it could not have had" (Lavoie 1985, 26).

of knowledge, became key to his understanding of the boundaries and purpose of a renewed liberalism.

PART 4. HAYEK'S FIRST TRANSFORMATION

"If 1936 is a famous date in the history of economics for *hoi polloi*," recalls T. W. Hutchison, "1937 must be regarded as a special year by those connoisseurs who, surely justifiably, regard as fundamentally important the recognition of the significance for economic theorizing of uncertainty, ignorance, and shifting, erring expectations" (Hutchison 1981, 214). For the first of many times in the inception of neoliberalism, an intellectual setback sparked a theoretical reorientation. Although the socialist calculation debate had been won in the books, or at least manifestly swayed, public opinion kept on pressing for more interventions. Furthermore, Hayek's star had paled considerably after the publication of Keynes' *General Theory* (1936).

Hayek's declining importance in academic circles did not mean that he surrendered to the mood of the day, unlike many of his students. On the contrary, Hayek's own theoretical interests had been moving rapidly away from economic theory towards problems of methodology in the social sciences. Like Polanyi, the English infatuation with planning led him to consider epistemological and methodological questions in a new light. For Hayek, the debate over socialist planning proved that one could be scientifically correct, without necessarily having any influence on the mood of the day. Besides, his critique of interventionism was bound to hit a dead-end, as long as it wasn't accompanied by a much larger programmatic apparatus. Yet, there is no denying that an element of epiphany accounted for Hayek's new direction. The debate over economic planning "which had most occupied us in Vienna ten of fifteen years earlier" suddenly produced this "one enlightening

idea which made me see the whole character of economic theory in what to me was an entirely new light, and which I tried to convey in […] 'Economics and Knowledge'" (Hayek 1995, 62). It now dawned on Hayek that a market-based society was not only superior because it allowed everyone to produce and consume freely, but because it provided the greatest opportunity for people to acquire, share, and use information. From 1936 to 1945, this newfangled idea guided his works on social theory, from its birth pangs in "Economics and Knowledge" (published in 1937) to the more complete formulation found in "the Use of Knowledge in Society" (published in 1945).

The Keynesian 'revolution' and the failure of the Austrian program at the LSE

Hayek had observed the non-committal and non-political role played by economists in the first half of the 1930s, whose publications were limited largely to scholarly attacks on Keynes (cf. Hayek 1995), and academic writings on the theory of capital (Hayek 1941). However, Robbins' bet of establishing the LSE as a centre for theoretical economics had been a success. In fact, both Robbins and Hayek were perceived as leaders in the retort against Keynes and socialist arguments. They had managed to attract talented students, and revived 'classical' economic theory against the tides of the day. By the time Keynes published his *General Theory* however, many of their early supporters, along with the majority of students, had deserted the department. Ludwig Lachmann famously remembered that: "When I came up to the LSE in the early 1930s, everybody was a Hayekian, at the end of the decade there were only two of us: Hayek and myself" (quoted in Caldwell 1997, 36).

It is indeed difficult to underestimate the effect of the publication of the *General Theory*. Many among the students who participated in the joint seminar on economic theory held between the LSE and Cambridge had taken a Keynesian turn, influenced by members of the Cambridge Circus,

most prominently Joan Robinson, Brinley Thomas, and Piero Sraffa.[38] In particular, the defections of Peter Hicks—already a distinguished theoretician at the time—, Nicholas Kaldor—who helped translate Hayek's *Monetary Theory and the Trade Cycle* into English—and Abba Lerner, epitomized the exodus of students away from Hayek's circle, and towards the more general framework of Keynesian theory (Burgin 2012, 29). Even Robbins, later drawn into government work during the War, slowly turned away from the radicalism of Austrian economics towards a more Keynesian compromise. The Cambridge victory was indeed complete over the LSE approach. Hayek himself acknowledged this much in his later writings, explaining the success of the Keynesian revolution as being tied to a theoretical framework which could support popular solutions to the economic depression: it was "a tract for the times" (Hayek 1995, 241), which "was expressed in a form congenial to the scientific fashions of the moment" (Hayek 1995, 238).

Later in his life, Hayek has often been questioned on his decision not to write a review of Keynes' *General Theory,* and whether he came to regret it. Bruce Caldwell advances four distinct explanations for this apparent mistake: first, Keynes was famous for changing his mind, as he had done after Hayek's review of his *Treatise on Money,* and Hayek did not wish to become involved in a controversy with the weathercock Keynes.[39] Secondly, Hayek admitted that he was tired of the controversies surrounding the economic profession in general, and market socialists in particular. Thirdly, totalitarianism had moved even closer to full domination in Europe, and in England, middle-of-the-road politicians and pundits still largely favoured state planning. In this light, Keynes did not seem as dangerous as the pro-planners (Caldwell, 1995, 46).

[38] More details on this issue are found in Caldwell (1995, 35-6).

[39] Keynes' attitude is best recorded in this trait: "where five economists are gathered together there will be six conflicting opinions, and two of them will be held by Keynes" (Caldwell 1995, 9; original quote by Thomas Jones).

Finally, Hayek thought that a critique of Keynes would require a full examination of methodology in economics, something his arguments concerning socialist planning had already pointed towards:

> "I did feel from the beginning," he wrote in 1963, "though I did not see it then as clearly as I do now, that the difference did no longer concern particular points of analysis but rather the whole method of approach – that there had been a gradual change in Keynes's whole view of the proper scope and method of theoretical analysis which went far beyond the particular issues with which he was concerned. [...] To me it seems as if this whole effort were due to a mistaken effort *to make the statistically observable magnitude the main object of theoretical explanation*. [...] One of the man results of most of the discussions of the 1930s was to create an interest and an awareness of the methodological problems of our science which I had not had before" (Hayek 1995, 60-1; my emphasis).

This important acknowledgment of the methodological consequences of Hayek's debate with Keynes should be kept in mind when considering that planning itself became greatly influenced by the Keynesian rhetoric, which distanced it from the temptations of central planning. Angus Burgin locates the seeds of Hayek's transformation in this methodological shift. Realizing that his program could not stay indefinitely critical, Hayek turned towards a more positive formulation, something he had already mentioned in "The Trend of Economic Thinking."[40] Burgin's diagnostic needs to be mitigated, however. Keynes' challenge did not directly prompt Hayek to draw up a positive political programme, it merely pushed him further away from economic theory and the "means"

[40] Hayek wrote in 1933 that: "Unfortunately, at the present time, as at the time when theoretical economics was first in the ascendancy, the effects of an extensive State activity which is based upon a quite inadequate understanding of the coherence of economic phenomena are so preponderantly more harmful than the absence of any new form of State activity which he might like to suggest, that the economist is, in practice, almost inevitably driven into a mainly negative position. But *it is certainly to be hoped that this practical necessity will not again prevent economists from devoting more attention to the positive task of delimiting the field of useful State activity.* There can be no doubt that after Bentham's early distinction between the *agenda* and the *non-agenda* of government, the classical writers very much neglected the positive part of the task and thereby allowed the impression to gain ground that *laissez-faire* was their ultimate and only conclusion—a conclusion which, of course, would have been invalidated by the demonstration that, in any single case, State action was useful. *To remedy this deficiency must be one of the main tasks of the future.*" (Hayek 1991, 27; my emphasis)

of state intervention, and towards epistemological and methodological questions. In this sense, "Economics and Knowledge" allowed Hayek to pursue his 1935 intuitions on the one hand, and on the other to answer Keynes without needing to address the *General Theory* in detail. As a result, Keynes's views were not to be defeated at the level of policy, but through an attempt to undermine their scientificity.

"Economics and Knowledge"

This "transformation" of Hayek's thought has attracted considerable scholarship, and Bruce Caldwell (1988) should be credited with bringing the importance of "Economics and Knowledge" to the foreground. Hayek himself repeatedly acknowledged that this article came to retrospectively symbolize the reorientation of his own thinking towards social theory. Before evaluating the importance of this article for Hayek's development, it is necessary to reconstruct the main points of his argument. I do not attempt to provide an exhaustive analysis,[41] rather than to zero in on the key epistemological problems discussed in this article.

Starting from a critique of equilibrium theory, which he had already broached in 1935, Hayek considerably deepened his methodological critique of positivistic economic science, and its use of statistical aggregates based on "objective" data, a trademark of the method pioneered by Keynes.[42] In the opening paragraph, Hayek defined "the main subject," as being "of course, the role which assumptions and propositions about the knowledge possessed by the different members of society play in economic analysis" (Hayek 1948, 33). A radical difference between the knowledge held by the individual economic agent (subjective datum), and the theoretical knowledge employed by the

[41] Caldwell (1998; 2004, 206-214) does this extensively.

[42] Caldwell explains that "it was Keynes's methodological approach, specifically his use of aggregates, that Hayek came to view in retrospect as being his opponent's most dangerous contribution" (Caldwell 1995, 42)

economist (objective data), made describing economic behaviour and modelling equilibrium states, unsound. Since the propositions of economic science did not match the 'real' world in any way, these propositions could not be subject to empirical verification, or falsification.[43]

What is more, this discrepancy revealed itself to be more severe than a minor methodological mistake: the notion of equilibrium radically changed when shifted from the individual to the group. Formalizing the actions of individual agents did not account for how those actions could in turn be affected by other agents, as "we are really passing into a different sphere and *silently introducing* a new element of altogether different character" (Hayek 1948, 35). This required that the model be static (constancy of data in time), not dynamic, obviously making the empirical validation of the theory a near impossibility (*ibid.*, 40-41). "In the description of an existing state of equilibrium which it provides," Hayek concluded, "*it is simply assumed* that the subjective data coincide with the objective facts" (*ibid.*, 44).

It was this methodological fallacy, proper to economic modelling, which brought Hayek to reconsider the problem of knowledge in the various stages of economic analysis. Despite the fact that one could, in theory, reconcile a dynamic model of "a tendency towards equilibrium" with the empirical propositions of economic science, Hayek dealt the one-two punch when he reflected upon the epistemological dissonance between empirical behaviour and positive science. "The only trouble is," he wrote, "that we are still pretty much in the dark about (*a*) the *conditions* under which this tendency is supposed to exist and (*b*) the nature of the *process* by which individual knowledge is changed" (*ibid.*, 45). In other words: how was it possible to learn about the initial distribution of knowledge and its communication, which were decisive factors influencing the actions of agents?

[43] The Popperian origins of this epistemological argument were explicitly acknowledged by Hayek in a footnote. At that stage, Popper seemed to have been one of the many 'resources' which Hayek drew on in order to actualize his argument. Cf. Caldwell (2003).

Epistemological problems of this nature could not be thought away through such theoretical devices as a "perfect market" "where every event becomes known instantaneously to every member" (*ibid.*, 45). Concluding his critique of equilibrium theory, Hayek pointed the following paradox out: in a situation of equilibrium, no one ought to learn anything, since this would alter the posited equilibrium. Thus, no final economic state could be predicted, even less realized, without altering the agents' foresight, which was largely dependent on local subjective knowledge (*ibid.*, 53).

As a consequence, planning opened a loop of deception about the capacity to know more than individuals themselves. From a Hayekian point of view, planning was only possible in theory, it was a utopia without any actual bearing on empirical economic problems. If economic science was to say anything about the "real world," it could not replace local epistemological processes with formal hypotheses:

> "It is these apparently subsidiary hypotheses or assumptions that people do learn from experience, and about how they acquire knowledge, which constitute *the empirical content of our propositions about what happens in the real world*. They usually appear disguised and incomplete as a description of the type of markets to which our proposition refers; but this is only one, though perhaps the most important, aspect of the more general problem of *how knowledge is acquired and communicated*" (Hayek 1948, 46; my emphasis).

This reformulation of the primacy of methodological individualism, oriented towards epistemic processes, sealed off the claim of statistics, aggregates, and formal models, to empirical validity. In Hayek's view, these amounted to a kind of speculative pseudo-science. If a purely formal theory of economics developed, it would not say anything empirically significant: as such, economic theorizing was deceptively reliant on the assumption that perfect competition is fed by perfect knowledge (Hutchison 1994, 219).

At this point, Hayek had only reached a simplified illustration of what economic science could and could not say, and he had outlined a vague conclusion of the ways in which our epistemic limitations affect our economic action. Nevertheless, the issues he had sketched in the first part of the essay opened up to a broader problem: that is, the universal axioms we use to describe the actions of the economic agent ("rational" or "conscious"), refer to a "type of human action […] rather than to the *particular conditions under which this action is undertaken*." This made it necessary for the hypotheses we possess to account for these actions to also include "how experience creates knowledge" (Hayek 1997, 47). Here, knowledge is both acquired and exercised in situations which are *local* and *situated*, as well as *context-dependent*. The market did not embody a harmonisation of positive individual interests by an invisible hand, but fundamentally an epistemic process of coordination between imperfect agents, a combinatory mechanism whose end-states remained, crucially, unknown to its participants.

The socialist planning debate thus played a decisive role in steering Hayek towards the formulation of a new epistemological argument: epistemic limitations deriving from the division of knowledge had both scientific and political consequences, particularly in terms of how much one is capable of knowing, and therefore doing. Nonetheless, Hayek urged his readers to consider the "wider aspect of the problem of knowledge" which related to the ways in which individuals acquire the necessary knowledge for the realization of their goals, and how we account for knowledge which is not put into use: "the knowledge of alternative possibilities of action of which he makes no direct use" (Hayek 1997, 51n17). In a sense, no scientist, statesman, nor planner, may ever reconstruct, by himself, the myriad of epistemic mysteries encapsulated inside each individual agent, due to the enormous amount of tacit knowledge used by individuals to make their choices. As Popper had previously shown, inference was an unreliable method, whilst Polanyi had

been the first to link together the ideas of tacit knowledge, spontaneous order, and the workings of the market. Redressing the positivist attitudes of the behaviourist, sociologist, or macroeconomist, Hayek understood in the same way the fundamental irreducibility of reality to either lawful regularities, or formal axiomatic propositions.

Drawing on his view of the proper workings of an empirical science, Hayek hit upon the "problem of the *division of knowledge*" as "the really central problem of economics as a social science" (Hayek 1948, 50). Beyond economics, Hayek turned the central question of all social sciences into an epistemological one:

> "How can the combination of fragments of knowledge existing in different minds bring about results which, if they were to be brought about deliberately, would require a knowledge on the part of the directing mind which no single person can possess? To show that in this sense the spontaneous actions of individuals will, under conditions which we can define, bring about a distribution of resources which can be understood as if it were made according to a single plan, although nobody has planned it, seems to me indeed an answer to the problem which has sometimes been metaphorically described as the 'social mind'" (Hayek 1948, 54).

Hayek's critique thus comprised two levels: the first assailed economic science and its reductionist propositions for attempting to describe the real world, whilst the second levelled our deceptive conceptions of a designed order. The vistaopened in front of him involved a much broader critique of the social sciences, no longer simply a confrontation with equilibrium theory. By linking "spontaneous action" with something like an "invisible hand" or "a social mind" to account for seemingly designed outputs, Hayek drew a much larger role for the market, one which he would eventually theorize in his 1945 article on the "Use of Knowledge in Society." However, the market as a means of coordination, or an information processor, did not account for all existing knowledge neither. It was thus the aim of institutions, like the press, "to communicate knowledge," a seminal role which economic theory could no longer turn a blind eye to.

The precocity of this article made it unique, both in terms of Hayek's development as a thinker, and in the epistemological recoding of liberalism which would follow. It revisited the role of both the (competitive) market, and of institutions, in a new light: that of the acquisition and circulation of knowledge. In one sweeping gesture, the social sciences were redefined as epistemologically problematic, and their power to describe actual states of affairs and predict outcomes severely curtailed.

Evaluating "Economics and Knowledge"

Evaluating the importance of "Economics and Knowledge" is a delicate matter, not least because of the way future developments have retrospectively illuminated the intuitions developed therein. A common anachronistic tendency has been to locate there the budding of all of Hayek's later ideas. Caldwell warns that "the ideas in "Economics and Knowledge" must be considered embryonic when compared to what was to come later, [and are] best viewed as intuitions" (Caldwell 2004, 217). Of course, the essay did mark a break in Hayek's scholarship, particularly since it was at this moment that he began to reconsider his views on issues at the intersection of politics, epistemology, and economics, that would occupy him for the next ten years. In a methodological shift that he perceived himself as being crucial to his subsequent development, Hayek concluded that economic analysis could not begin from formal assumptions, but must be subjected to empirical verification. Karl Popper's *Logik der Forschung,* which Hayek read upon publication, indicated that empirical methods were essential when theories shift from individual analysis to intersubjective and collective action. Coming full circle with Popper, Hayek qualified rival approaches as pseudo-sciences, at least as long as their arguments did not bear a possible "verification" when "applied to phenomena of the real world" (Hayek 1948, 55). This need for

economics to defer to empirical verification marked a clear break with Mises' apriorism[44] and, generally, with the previous generation of Austrian scholars (Burgin 2012, 50-1).

Hayek's transformation, according to Caldwell, was characterized by his abandonment of pure economic theory in pursuit of issues belonging to social theory and the history of ideas. Some of the reasons advanced to account for this shift have ranged from the failure of the Austrian program, to his resignation before the success of Keynesianism, to his sudden "epiphany" that the main problematic of the social sciences ought to be the dispersed nature of knowledge and its epistemological consequences. Whilst I do not dispute that these factors do, in fact, account for Hayek's intellectual trajectory, I contend that they vastly underestimate Hayek's political activity during that time, notably his investment in the British debate over the responsibility of capitalism and/or liberalism in the diffusion of totalitarianism.[45] In fact, the intellectual development of Hayek during that time may be placed under another light. Paying closer attention to his political activities, I find many incongruities in this so-called 'transformation.' What appears at first to be a theoretical transition, may also be read as a fallback solution to the vacillation of the Austrian program, and the continuous appeal of socialism: "On many fronts, but particularly as a bulwark against socialism, Austrian normal science was coming up a loser in the mid-1930s sweepstakes for intellectual legitimacy. […] *There was nothing 'natural' about the antisocialist politics of the construct of the market as an information processor*. That required much more work" (Mirowski 2007: 360; my emphasis). Mirowski has, quite rightly, pointed the finger at the continuous

[44] Burgin writes that: "Hayek saw this presentation ["Economics and Knowledge"] as the beginning of his own "original development," and its emphasis on the need for empirical foundations as a clear break from his mentor, Ludwig von Mises' insistence on the a priori foundations of economic analysis" (Burgin 2012, 51). Knudsen (2004: 58ff) suggests that Schutz is at least as important as Popper to account for Hayek's rupture with apriorism.

[45] The "circumstances of the time" led Hayek to identify his views as "differing very strongly in the interpretation of the political events in Germany from the view then generally current in England and particularly held by the majority of my socialistically inclined colleagues in the other departments of the London School of Economics." (Hayek 1995, 62).

involvement of Hayek in antisocialist debating and theorizing; whether in Austria with Mises, in England with Robbins, and later on with Polanyi against the socialist scientists (see chapter 4). Rather than a sudden "illumination," Hayek's transformation was tributary to the *persistent association between socialism and science*, making use of the ubiquitous formula of 'scientific' planning. Mirowski thus concludes that "Hayek had recourse to a cobbled-together 'philosophy of the ineffable' to try and square his ambition to be a scientist, his hostility to socialism, the ambition of many natural scientists to portray socialism as scientific, and the failure of his previous 'Austrian' macroeconomic theory" (Mirowski 2007: 364). More so than fellow-economists, Keynes included, the real danger to Hayek consisted in the likes of J. D. Bernal, Patrick Blackett, or Lancelot Hogben, a fellow LSE professor. His target had started to move from fellow economists to natural scientists.

It is of significance that after "Economics and Knowledge," Hayek did not directly pursue that line of work but rather focused on defeating socialism and its advocates by other means. Worrying to him was the persistent popularity of planning presented as a scientific method to counter the irrationality of capitalism. Admittedly, he had worked hard to defeat planning and socialism through "economic" arguments, but had refused, until then, to commit to either a moral, or philosophical refutation. However, the growing popularity of the social relations of science movement, and their investment in the political debates over planning, muted Hayek's earlier reservations. The combined effect of the campaign led by the "men of science", and the planning propaganda heard in the corridors of the LSE from the likes of Karl Mannheim, Harold Laski, and its director William Beveridge, as well as from conservative quarters, prompted him to build his own politics. "Although the rapid ascent of Hayek and Robbins signified that the foundations of market advocacy were beginning to shift," noted Burgin, "their equally abrupt decline suggested that market advocates would need to *reconstruct their message* if they hoped to sustain public

support for their ideas" (Burgin 2012, 17). Hayek's early steps on the *Road to Serfdom* were thus provoked by two important factors: the debate over the scientificity of socialist economics on the one hand, and the ongoing debate over the origins and nature of Nazi Germany on the other (Shearmur 1997: 69-70).

Setting up the discussion over Hayek's "Freedom and the Economic System," I should acknowledge that Caldwell has, on occasion, readily recognized the importance of Hayek's engagement with the scientific left: "it is evident that what increasingly worried Hayek in the late 1930s was the enthusiasm for all sorts of planning among the non-economist intelligentsia of Britain, and especially among the natural scientists whose enthusiasm attracted much public attention and who, in this heyday of positivism, were accorded great respect" (Caldwell 1997, 43). Nonetheless, Caldwell repeatedly omits Hayek's role in the foundation of something like neoliberalism. His account remains overly concerned with Hayek's life-long trajectory, and obviates the bigger picture in which Hayek began to collaborate with potential allies in order to defeat collectivism *through* a renewed liberal activism.

PART 5. FIRST STEPS ON THE *ROAD TO SERFDOM*: HAYEK'S SECOND TRANSFORMATION

Published for the first time in England in April 1938, "Freedom and the Economic System" marks a much larger rupture with Hayek's precedent outlook than any commentator has been willing to admit. Locating Hayek's 'transformation' in "Economics and Knowledge" makes sense for tracing the genealogy of Hayek's ideas, and their influence on the course of Austrian economics. However, it fails to acknowledge the way in which Hayek revamped his political views following this

epistemological breakthrough—the second movement of his thought. This crucial break did not lie so much in Hayek's "discovery" of the dispersion of knowledge as a fundamental limit to intervention, but in the fact that he used this intuition as a base for the construction of a new political and ideological project, something which had not been at all evident in 1937. The "crucial question," Hayek acknowledged in 1938, had become the defeat of socialism not on "economic grounds", but in the "moral sphere" (Hayek 1997, 198). The consolidation of something like neoliberalism, as manifested in the intellectual journeys of Hayek, Polanyi and Popper, shows that the debate over the epistemic limitations of politics, and its consequences in privileging a liberal order, were of paramount importance.

Hayek has himself admitted that the *Road to Serfdom* was born out of the peculiar English context of the late 1930s.[46] If arriving in England had been like "stepping in a warm bath," the rise of totalitarianism in Europe had led to a dramatic drop in temperature: "a very special situation arose in England, already in 1939, that people were seriously believing that National Socialism was a capitalist reaction against socialism" (Hayek 1994, 102). At the LSE in particular, Hayek's colleagues were becoming increasingly vocal about the need for planning, lest Great Britain fall prey to totalitarianism. Harold Laski, an eminent figure of the Left, was increasingly outspoken in his denunciation of capitalism as a direct cause of the rise of Nazism in Germany. Since 1932, Laski had been a controversial figure at the LSE, incurring the wrath of then-director Beveridge for mixing his professorship with an intense political activism. Laski argued that the state, far from complementing capitalism, acted as its coercive apparatus. In a direct attack against his colleagues at the Economics Department, he advocated a revolution by consent towards an egalitarian and

[46] In the introduction to the *Road to Serfdom*, Hayek admits that: "The central argument of this book was first sketched in an article entitled "Freedom and the Economic System," which appeared in the *Contemporary Review* for April, 1938, and as later reprinted in an enlarged form as one of the Public Policy Pamphlets edited by Professor H. D. Gideonse for the University of Chicago Press (1939)" (Hayek 2007, 38).

democratic society (Laski 1935).[47] Countering this, Robbins argued that "the practice of the totalitarian Third Reich is only the practice of Bismarckian Germany writ large" in which a declining faith in free markets and liberal institutions caused by socialism opened the ground for the Nazi reaction (Robbins 1937, 235).

Likewise, the dark imprecations of Karl Mannheim, a fellow émigré at the LSE, weighed heavily on Hayek's decision to move closer to political grounds. In a 1937 essay, Mannheim had elaborated a complex sociological explanation of the disintegration of Western societies and of their attraction towards fascism. "Collective insecurity" was, for Mannheim, at the root of the "rapid dissolution" of traditions and their replacement by new attitudes (Mannheim 1937, 107). Persistent unemployment, and a crisis of confidence in the state, engendered an erosion of faith in institutions, as well as in traditions, mores, and prestige. Mannheim saw those conditions as having both a progressive upside, and a negative downside, as "ideologies are unmasked and the validity of established principles and values comes to be doubted. This is the movement of scepticism, hard for the individual yet productive for science, as it destroys the petrified habits of thought of the past" (Mannheim 1937, 112). For both Mannheim and socialist scientists, the rate of progress in science was dependent on social stability, and as long as political conditions remained unstable and potentially reversible, scientific progress would be slowed down to a halt. A political revolution was thus bound to bring about a new regime of scientific progress, breaking away with old habits and archaic truths.

Mannheim was intently clear that this process concerned first and foremost the "intelligentsia," as they were the only ones who showed a manifest concern for freedom of thought. Most men,

[47] Alexander Carr-Saunders, taking over the direction of the LSE in 1937, found himself in "the position of a newly appointed vicar in a parish where the curates were the prophets Jeremiah and Ezekiel, referring to Hayek and Laski" (Hoover 2003, 102).

remarked Mannheim, "crave rather for subjection to a rule and are glad when they can glide from one well-defined situation to another" (Mannheim 1937, 122). In line with his previous work, *Ideology and Utopia* (1936), he warned against the apathy of the masses who, seduced by charismatic political entrepreneurs, have fallen into their manipulative grasp. Thus, the task of economists and social scientists was to manage—and eventually plan—the social adjustment from one stage of stability, to another, by co-ordinating the complexity at work in social processes. Born out of a desire for professional impartiality and integrity, the LSE had become a battleground for rival political factions. Hayek's first version of "Freedom and the Economist System" was thus designed as an answer to Beveridge's opinion that *laissez-faire* capitalism had been the root cause of the disaggregation of Weimar Germany,[48] and Mannheim's and Laski's ideas that Britain needed more than ever to follow the path of a controlled economy with increased public interventions.

Freedom and the Economic System

A shorter version of "Freedom and the Economic System" was published in April 1938, whilst the second, revised and enlarged, was published in 1939 under the guise of a Public Policy Pamphlet, a series edited by Henry Gideonse at the University of Chicago, comprising "a number of other studies in which the post-war neo-liberalism was first outlined" (Hayek 1995, 63). Paramount amongst these studies was Henry Simons' "Positive Program for Laissez-faire" (1934), which resolutely argued for a restauration of competition under the guidance of the state. In the months between the release of these two versions, the Walter-Lippmann Colloquium took place in August 1938. Its influence over some of the new sections in the 1939 version appears evident. Admittedly,

[48] Hayek's low opinion of Beveridge's supposed opportunism is recorded in a short article of 1945: "It is the great merit of democracy that the demand for the cure of a widely felt evil can find expression in an organized movement. That popular pressure might become canalized in support of particular theories that sound plausible to the ordinary man is one of its dangers. But it was almost inevitable that some gifted man should see the opportunity and try to ride into political power on the wave of support that could be created for some such scheme" (in Hayek 1995, 233).

the Colloquium participants had embraced a positive role for the state, with the aim of further discrediting collectivist arguments. Their particular ideological realignment had been rendered possible thanks to a renewed epistemological understanding of liberalism as a method of coordination, and as a regime of epistemic limitation, rather than as a substantive ideal of progressive emancipation (see chapter 3).

The political tone of the text was set from the get-go when Hayek, for the first time, placed his words in the context of a defence of "the great tradition of intellectual and cultural liberty" which he saw as being perverted, whether consciously or unconsciously, by socialists (Hayek 1997, 181). His disagreements with colleagues at the LSE, pointedly Laski and Mannheim, were certainly echoed as they represented the "advanced socialists [who] openly admit that the attainment of their ends is not possible without a thorough curtailment of individual liberty" (Hayek 1997, 181). Hayek worried about the "gradual advance" of collectivism in countries which "still cherish the tradition of liberty" (Hayek 1997, 182), and in which intellectuals were unwittingly advancing the cause of totalitarianism. The fact that Hayek's arguments were directed towards the British intelligentsia (and not towards politicians, economists, or students) was highly significant. This elitism was a direct response to the English context of the day, where many of the scientific, artistic, and philosophical elites were politically committed to the Left.

Two main arguments drove Hayek's opposition to collectivism: first, his already established position that central planning was impractical because it imposed one scale of values for everyone (thereby undoing the sovereignty of the consumer), and second, that planning was ideologically dangerous because "people must be made to believe in this particular code of value, since the success or failure of the planning authority will […] depend on whether it succeeds in creating that belief" (Hayek 1997, 182). Let us now take these aspects in turn, as they outline each a very different view of planning to the one presented in the economic calculation debate.

The incompatibility of planning with the preservation of value pluralism pointed directly at the ongoing debate which took place between the various groups supporting planning in Britain: how to agree on one concrete plan which could encompass dissent, contradiction, and adjustment? The difficulties were particularly stark when it came to agreeing upon which freedoms were to be taken away from the people, and how planning could be integrated within British traditions, notably the common law. The lack of possible agreement over one all-encompassing plan was detrimental to the public's confidence in democracy, in that it was "responsible for the conspicuous inability of democratic assemblies to carry out what is apparently the expressed will of the people" (Hayek 1997, 183). Bypassing the elected assemblies, the delegation of technical decisions to "experts" and "autonomous administrative bodies" entailed a massive depoliticization of the planning process. This discrepancy between the nature of planning and the "fetters of democratic procedure" rendered democratic assemblies powerless to carry out their mandates. The "new despotism of bureaucracy" meant that "our own ambitions and endeavours" towards greater freedom may be in the end source of servility (Hayek 1997, 190). These "unanticipated consequences" (Hayek 1997, 193) of social control were likely to be irreversible. Among the various solutions on the table at the time, including the moderate proposals of capitalist planners, Hayek's warnings came across as overly alarmist. By engaging in this debate, Hayek was not in search of a middle ground, rather, he occupied the vacant space left behind by the theoretical retreat of the LSE.

However, Hayek's argument not only posited that planning represented a real danger to democracy, but more distinctively that democracy was in itself ill-suited to deal with economic control. An efficient democratic government relied on a working majority, yet "the possibility of agreement of a substantial part of the population upon a particular course of action decreases as the scope of the State actively expands." This matter was articulated to the much larger claim that

"only capitalism makes democracy possible" (Hayek 1997, 185). "If a democratic people comes under the sway of an anti-capitalist creed," continued Hayek, "this means that democracy will inevitably destroy itself." In the 1939 version of "Freedom and the Economic System", the charges pressed against democracy were even more pronounced, with Hayek making positive comparisons between autocratic rule and democracy, and conceding that "under the government of a very homogenous and doctrinaire majority democratic government might be as oppressive as the worst dictatorship" (Hayek 1997, 209). Why was democracy such a peril to itself? In order to address this, let us examine the second part of Hayek's argument, where he depicts the dangers of planning as being both ideological and institutional.

The planning slope, Hayek expounded, came at the price of the creation of a "unity of purpose," where avid followers could be consecrated as "aristocrats of the creed" and dissenting voices as traitors. Planning led to totalitarianism in a process guided by ideology, not thus simply as a mechanical extension of executive power. The acceptance of one unified ethical code had to be accompanied by a suppression of dissent, because "every doubt in the rightness of ends aimed at or the methods adopted is apt to diminish loyalty and enthusiasm and must therefore be treated as sabotage" (Hayek 1997, 186). Totalitarianism meant the complete depoliticization of elected assemblies, and the politicization of all other spheres of action, notably the scientific sphere. Here, free opinion and dissent were the engines of reason and progress, something which both Popper and Polanyi had established in their writings on the subject: "How completely the imposition of a comprehensive authoritarian creed stifles all spirit of independent inquiry, how it destroys the sense for any other meaning of truth than that of conformity with the official doctrine, how differences of opinion in every branch of knowledge becomes political issues, one must have seen in one of the totalitarian countries to appreciate" (Hayek 1997, 188; my emphasis). Hayek remained too evasive in his words for the reader to discern precisely who was targeted here, or

what case he was referring to: the Lysenko affair, the emigration of German scientists, both of the above? In any case, his embrace of the production of reason and truth as a social process – through conjecture and refutation, dogmas and dissents – suggested a growing affinity with the thought of Popper, whom he had invited to his LSE seminar in 1936, and Polanyi, whom Hayek had met for the first time at the Walter Lippmann colloquium.

Hayek's dilemma with Mannheim also gains greater clarity here: on the one hand, he agreed with his stark diagnostic of an impotent democracy, but strongly refuted planning as the solution. On the other hand, Hayek rejected Mannheim's deterministic sociology of knowledge, while embracing his own conception of a free-floating intelligentsia. I suggest that Hayek's ambition, already in 1939, was the creation of a "counter-Mannheimian" project under the shadow of totalitarianism. Hence, his elitism reflected his deep-seated view (similar to Mises) that: "in any society it will be only the comparatively few for which freedom of thought is of any significance or exists in any real sense" (Hayek 1997, 187). The vital question turned out to be: who would guide the masses towards their chosen promised land?

Planning for freedom through the law

Both Robbins and Hayek were engaged in a losing semantic battle against planning, and thus, they sought to recover a more "liberal" version of the word. Deploring its "highly ambiguous" meaning, Robbins confirmed that planning "stands for almost any policy which it is wished to present as desirable. Indeed there can be no doubt that it is this very ambiguity which lends it attractive force" (Robbins 1937, 3). The meaning of the word was so ubiquitous, that the real question was not whether "to plan or not to plan," nor between having "*a* plan and *no* plan," but between "different kinds of plan" (*ibid.*, 6). Planning could mean as little as planning to buy a product, or planning the whole economy. When it came to society, it was clear that any measure of coordination required

at the very least some modicum of planning. The term was so empty of any substantive content, that a liberal version felt just as good as a socialist one. Admittedly, the liberals were witnessing increasing levels of governmental intervention, where one type of control in one place engendered a different type somewhere else: "Planning of this sort," warned Robbins, "is a quicksand" (*ibid.*, 29). The liberal "plan" differed in one important respect, however: it was a one-off reform. "Given a *suitable framework of law and order*," Robbins proposed, **"**spontaneous arrangements between private citizens will conduce to the public good" (*ibid.*, 5).

Robbins' rejection of *laissez-faire* as a "naïve belief" was highly instructive, as he sought to distance present-day liberals with classical liberals who "may have laid insufficient emphasis upon the framework of law and order which the institution of property possible," concluding that the State had an important part to play in designing the "framework of institutions" through "legal planning" because both property and contract were "essentially the creation of law" (*ibid.*, 227-228). The role of the law was thus crucial, it represented both the framework and the plan:

> "The idea of a coordination of human activities by means of a system of impersonal rules, within which what spontaneous relations arise are conducive to mutual benefits, is a conception, as least as subtle, as least as ambitious, as the conception of prescribing each action or each type to action by a central planning authority" (Robbins 1937, 229).

On this account, the advent of Nazi Germany was not the result of failing liberal institutions, but of the fact that liberal institutions had "never yet had a full chance" (*ibid.*, 233). This new institutionalist outlook on the functioning of a liberal economy, refined classical liberal theory: Robbins himself shifted from a traditional free-trade approach, embracing a more positive role for the state.

In the second section of the expanded 1939 version, destined to the American public, Hayek too sought to reclaim a positive conception of planning, wrestling some ground from the socialists.

First, he disingenuously blamed the popularity of planning on a linguistic confusion between planning in a narrow sense, and planning as "the application of reason to social problems in general" (Hayek 1997, 194). Second, he expounded a "liberal" plan in which he broached, for the first time, the importance of the rule of law in relation to the dispersion of knowledge. Echoing Robbins, Hayek wrote:

> "We can 'plan' a system of general rules, equally applicable to all people and intended to be permanent (even if subject to revision with the growth of knowledge), which provides an institutional framework within which the decisions as to what to do and how to earn a living are left to the individuals. […] Planning [in this sense] means that the direction of production is brought about by the free combination of the knowledge of all participants with prices conveying to each the information which helps him to bring his action in relation to those of others" (Hayek 1997, 194).

The link between epistemological limitations and the positive program of (neo)liberalism can be reckoned here: institutions, not individuals, were to be the repositories of a knowledge so complex and incomplete that they always needed to defer to the market. Nevertheless, this newfound 'constructive' liberalism made up of "general and permanent rules," was limited to the establishment of property rights, and the prevention of deception and fraud. For Hayek, this "plan for freedom" alone could guarantee the pluralism of ends, and help "people to achieve their various individual ends" (Hayek 1997, 195).

However, the prejudice against the market as a rational mechanism remained deep-seated among planning supporters. Many, from the left and the right, derided the market as inherently chaotic, unscientific, and incapable of bringing about efficient results. In his refutation, Hayek hinted, for the first time, at the intellectual roots of this view, whose origin he fastened to the social relations of science movement, and the likes of Lancelot Hogben, who had violently criticized his colleagues during his tenure at the LSE:

> "it would be interesting […] to show how this belief is largely due to the intrusion into the discussion of social problems of the preconceptions of the *pure scientist* and *the engineer*, which have dominated the outlook of the educated man during the past hundred years. To a generation brought up in these views, any suggestion that an order and purposeful reaction could exist which was not due to the conscious action of a directing mind was in itself 'medieval rubbish' […]. Yet it can be shown […] that the *unconscious collaboration of individuals in the market leads to the solution of problems which, although no individual mind has ever formulated these problems* in a market economy, would have to be *consciously* solved on the same principle in a planned system" (Hayek 1997, 197; my emphasis).

Herewith, Hayek subtly increased the reach of the epistemological argument in favour of the market. For not only did the market allow for the maximum measure of available knowledge to be utilized, it also brought about a tacit coordination between agents which a planner could never consciously reach. The market thus acted as an anonymous coordinator of individual plans, playing the role of a "social mind," a term which Hayek had hinted at in "Economics and Knowledge." Consequently, it acquired a social dimension which far exceeded its economic implications. What is more, the market as an institution was a guarantor of freedom, and a moral tool for the preservation of dissent. In Hayek's social theory, the years 1937-1939 forged the link between the epistemological status of the market, its moral and philosophical value, and its economic function: the dispersed knowledge provided the foundations for a liberal and competitive order.

CONCLUSION

"The summer of 1931 may be taken," Lippmann writes, "to have been the moment of transition from the past into the present. Between May and September of that year, the post-war reconstruction collapsed" (Lippmann 1934, 10). 1931 was not simply an important date for the

personal biography of the various protagonists of early neoliberalism, it is also the year that they have identified as pivotal for the course of post-WWI reconstruction. The old *laissez-faire* orthodoxy, it was felt, had been tried and tested, and was perceived as chaotic and irrational. Hence, the growing case for planning rested upon a faith in scientific method and expert knowledge against the archaic dogmas of the past. Increasingly, the authority of science was being mobilized for political purposes and regarded as the potential saviour of an economy in disarray. Since the rhetoric of science placed a greater legitimacy upon technocratic management and executive direction, its partisans perceived scientific planning as a way to evade the "shibboleths of party politics" or "the inertia of Westminster" in the face of the mounting crisis. For radicals of all parties, the association of science and planning seemingly exonerated themselves from partisanship, while occupying a coveted "above-party" ground.

Contrary to the old quandaries of Westminster politics, planning sounded both unorthodox and proactive, promising within the realm of society the same ground-breaking change the scientific revolution had achieved in science. For its supporters, time had come, following the imprecations of H.G. Wells, to implement a truly scientific society—as advertised by Bertrand Russell (1931, part III) for instance—, which entailed the adoption of some measure of collectivization and of technocratic controls as direct applications of the scientific method. The natural sciences and the experimental methods were celebrated as pioneering the human control over its environment through trial and error, whereas economic science was perceived to have failed to provide a coherent picture of the crisis or suitable remedies. As I have exposed in the previous chapter, these ideas dominated the Soviet conception of planning and they were disseminated in England by sympathetic observers, not least some of England's most brilliant scientists.

At the end of the 1930s, the progressive reconstruction of the liberal message ushered in an acceptance of the state's role in selecting the institutions which would be responsible for the

regulation of market efficiency based on a system of competitive pricing. Now that the state itself had found its place, the law became the new requisite instrument of regulation, where contracts could be enforced and fraud prevented. What is more, seeking to reclaim the positive ground from the left and from planners, liberals built their own positive plan upon a renewed appreciation for the rule of law. The law had material qualities which made it propitious as an instrument of social regulation, and it were its uses, rather than its scope, which threatened the competitive system.

In turning away from economics, Hayek redirected his own efforts towards the articulation of a methodology suitable for a positive liberal framework. His publications during this time, particularly "Economics and Knowledge" and "Freedom and the Economic System," taken together, operated a double rupture from his previous critical program in economic methodology. From now on, Hayek felt that liberalism was in need of a thorough scientific revamping.[49] Many new themes also emerged on the side of the liberal defence of the market. As I have argued above, Hayek's works led to a reconceptualization of knowledge as dispersed and local, whose existence could be best revealed in the competitive framework of the market. It consecrated the epistemological role of the market, one so delicate and idealized, that it was always in need of refinement. It was "at once the robust force that generated all of life and human production and a terribly fragile entity, threatened on all sides. On the one hand, it was in desperate need of protection; on the other, its power was such that any effort to contravene its bidding must end in

[49] Burgin is thus quite incorrect to write that: "By the end of the decade he [Hayek] […] sought to distance himself from direct engagement in the pressing political problems of the day but openly oriented his work toward a long-term goal of generating ideological change" (Burgin 2012, 51). We have seen here that Hayek was still not so convinced of the necessity to build a positive liberal framework until the Colloque Walter-Lippmann, which would give a decisive impulse in that regard, as well as the meeting with Polanyi and the aborted journal *Common Affairs*. Thus, it was not all an internal transformation. Secondly, Hayek did not seek to withdraw from the political problems of his day, as we will see. He wrote article about the war economy and was proactive in his editorship of *Economica* in trying to counter planning for war purposes.

despair" (Phillips-Fein 2009, 37). This line of thought proved to be an extremely important catalyst for early neoliberals and their recoding of market relations in a liberal order.

CHAPTER 3

RESCUING THE DISMAL SCIENCE OF LIBERALISM

"When the times are out of joint, some storm the barricades and
others retire into a monastery"
Walter Lippmann (2005[1937], 212)

The organization of the Walter-Lippmann Colloquium, and the foundation of the *Centre international d'études pour la rénovation du libéralism* (CIERL) in 1938, marked a crucial moment for neoliberalism. For the first time in its short history, concepts—whose borders had been contested and redrawn—, actors—some displaced and exiled—, and institutions—which had supported an internationalization of science in response to the political and economic crisis—, came together at the International Institute for Intellectual Cooperation (IIIC) housed in the Palais-Royal in Paris. Despite the generous efforts of recent historians of neoliberalism to shed light on the significance of this event (Denord 2006; Audier 2012a, 2012b; Burgin 2012; Dardot and Laval 2013), it still remains little known outside specialist circles. If anything, it is often interpreted retrospectively as the institutional point of departure for neoliberalism, whilst the material and intellectual circumstances which made this meeting possible are largely obviated. However, the

strong desire for a coherent narrative *a posteriori* should not overlook the theoretical disunion and political divergences laid bare during the meeting.[1] Beyond the agreement over the necessity for a new agenda for liberalism, many of the participants expressed their dissatisfaction with the state of liberalism, decrying its lack of method and rigor.

In this context, the importance afforded to the *social question* provides one of the strongest demarcations between classical liberalism and neoliberalism. Within their work, early neoliberals had exposed the failure of *laissez-faire* liberalism to adequately formulate the issues of poverty and unemployment in a liberal order. They felt that this accounted, to a large extent, for the success of fascism and communism: the great lesson of the turn of the 20th century had been that the growing political power of the masses could not simply be rejected through the iron laws of political economy, as this was precisely the socialist project writ large in Marxian materialism. More broadly, the attention given to the social question in the liberal order responded to the socialization of epistemology whereby the validity and objectivity of knowledge depended upon its social means and rules for production, justification, and dissemination. How to build successful analogies between the social parameters of scientific production and economic knowledge on the one hand, and the proper place of social demands in a liberal order on the other hand, remained an object of contention. Moving from a critical project towards a positive one, neoliberals at large devised different strategies for the viable integration of their respective ideas within the general

[1] Dardot and Laval (2014, chapter 2) describe the Walter-Lippmann Colloquium as the precursor to the Mont-Pèlerin Society, with which it shares its cosmopolitanism, and as the first attempt to create a "Liberal International" which ramified in international bodies such as the World Economic Forum and the Trilateral Commission. They reckon, however, that the Colloquium ought to be viewed as an "indicator" more than an act of birth of neoliberalism. On the other hand, Audier (2012a) has published an extensive monography dealing with the participants and themes of the Colloquium, showing that far from manifesting a unity of purpose, the debates revealed irreconcilable programs for neoliberalism despite their common quest to revamp liberal thought, making the idea that one primitive "neoliberalism" existed at that time, largely ineffective.

framework of liberalism, with divergences surging between the sociological approach of the Germans, and other participants.

It is worthwhile, at present, to examine the two main intellectual forces behind this meeting in parallel: its guest of honor, Walter Lippmann, and its convener Louis Rougier. Both understood the decline of liberal thought as a result of its faulty epistemology. They both lamented the poor state of a "liberal science," which was no longer able to inform the decisions of policy-makers, nor command the assent of the public. Finally, both felt that liberalism, rightly understood, was not only scientifically superior, but represented an essential component of Western civilization. Responding to the European crisis, and the radicalization of its political solutions, Lippmann's and Rougier's intuitions about a renewed liberal order revolved around the division of labour, the coordination of individual agents, and the role of institutions. Their demarcation of a "science of liberalism"—which purported to make use of a rigorous *scientific method*—from competing scientific narratives, necessarily entailed the diffusion of a *new scientific spirit* within neoliberalism, which addressed contemporary developments in other domains of science. Whereas orthodox Marxism sought to explain scientific discoveries through the laws of dialectical materialism, early neoliberals hoped to gain vital insights from an emergent scientific philosophy which acknowledged indeterminism and complexity, in order to elaborate a political outlook consistent with their conception of social knowledge.

PART 1. IN SEARCH OF A NON-EUCLIDIAN LIBERALISM

Among early neoliberals, Louis Rougier remains probably the least well-known; yet, he provided the clearest expression of an unceasing epistemological critique of political doctrines.[2] In a late tribute, the French economist and MPS founder Maurice Allais, described him as "one of the founders of modern liberalism" alongside Jacques Rueff, Wilhelm Röpke, Friedrich Hayek and Walter Lippmann. He was, according to Jacques Rueff, the "most liberal of our philosophers" (Allais 1990, 17). Born in 1889, Rougier was trained as a logician, but had a wide range of interests, and came to political philosophy through his denunciation of the different "*mystiques*" of his time. His efforts to distinguish a valid liberal science from ideological distortions, constituted the bulk of his publications from 1926 to 1938. A militant atheist,[3] and the only French member of the Vienna Circle, Rougier was a pioneer of the philosophy of science in France, one who had assimilated the profound scientific mutations of the 19th and 20th century (Marion 2007, 199; Pont 2007, 310-11). His unorthodox position as an epistemologist gave him a trivial influence on the philosophical field in France.[4] He never obtained a position in Paris and he taught all his life in provincial universities.

Retracing the steps of Rougier's intellectual development brings into clear view his epistemological critique of rationalism and idealism, which he used as levers for his demarcation

[2] The interest in Rougier among historians of neoliberalism was rekindled by François Denord's 2002 article, followed by his 2006 book *Néolibéralisme: version française*, and two issues of *Philosophia Scientiae* of 2006 and 2007 devoted to Rougier's multifarious contributions. Special credit is also due to the long philosophical portrait published by Mathieu Marion in 2004, republished with additions in collaboration with Claudia Berndt in 2006.

[3] For Rougier's anti-Christianism, see his *Celse ou Le conflit de la civilisation antique et du christianisme primitif* published in 1926 which launched the collection "Masters of anti-Christian thought" directed by Rougier himself with the publisher Éditions du Siècle. The Italian right-wing esotericist Julius Evola admired Rougier's thought (cf. Audier 2012a, 84-86).

[4] In *Birth of Biopolitics*, Foucault said of Rougier that he was "one of the rare and very good post-war French epistemologists" (Foucault 2008, 161).

of a science of liberalism. From his very first book onwards, Rougier never departed from his adopted perspective that epistemological presuppositions had immediate political effects because they constitute the indispensable foundations of a valid social theory. At this level, he shared the same intuition as Polanyi, Hayek, and Popper: that a conventionalist theory of knowledge entailed a comprehension of social orders as endogenous and dynamic, and entailed mechanically the adoption of liberalism as the only possible form of political organization.

The third way of conventionalism

Rougier's philosophical views were first exposed in the publication of both his theses in 1920: the minor one on Poincaré's geometric philosophy and conventionalism (1920a), and the major one on the errors (*paralogismes*) of rationalism (1920b). These are to be read in conjunction with a book published a year later on the structure of deductive theories (Rougier 1921). In many ways, the majority of his later ideas can be traced back to these earlier works, whether in their embryonic or fully developed form. His minor thesis sought to disentangle Poincaré's conventionalism from its neo-Kantian framework by highlighting the conventionality of all scientific theories, including geometrical ones. The axiomatization of geometry in the works of David Hilbert, which Rougier discovered subsequently, complemented Poincaré's conventionalism insofar as Hilbert had "buried the apriorism from the classical rationalists and the Kantians" and "disrupted all the theory of knowledge" (Rougier 1961: 17). Non-Euclidian geometries, which had proven useful through repeated experiments, had fundamentally altered the landscape of classical geometry. They showed that geometrical propositions were not conceptual abstractions grounded in the nature of the universe, or of our minds, but simply axioms adopted for convenience, which then determined the scope of knowledge accepted as true. Gauss, Riemann, and Einstein, had demolished the self-evident propositions of physics and mathematics (*ibid.* 19-20).

Since the axioms of any formal system are assumed but not proven, they can be taken to be conventional, or the result of "tacit agreement" (Marion 2004: 9). Poincaré's conventionalism, when generalized to include all scientific propositions, pointed to a third way, or "third solution", between *a priori* rationalism and *a posteriori* empiricism. Rougier's conventionalism recognized the optional and practical status of conventions:

> "A series of statements hitherto conceived of by rationalists as absolutely necessary truths, independent of our mind and of nature, by criticists, as *a priori* laws of our sensibility or of our understanding, by empiricists, as truths of experience, are seen, after Poincaré's critique, as mere conventions. These conventions are not true but practical (*commodes*), they are not necessary but optional (*facultatives*), they are not imposed by experience but merely suggested by it. Far from being independent from our mind and nature, *they exist only by tacit agreement of all minds and depend strictly upon external conditions in the environment in which we happen to live*" (Rougier 1920a, 200-1; my emphasis).[5]

Without fleshing out the full extent of Rougier's interpretation of Poincaré's conventionalism, I wish to highlight three key elements that were recurrent themes in the epistemological recoding of liberalism. In the first place, the attention paid to the relationship between truth and experience; or, to be more precise, to the role of *conventions* as pragmatic parameters of common theories and deductions. These conventions were not fully arbitrary, but "suggested by experience," which made them both historical and subject to criticism, without leading down the path to absolute relativism. Traditions, understood as sedimented layers of successful experience, corresponded to the role of scientific conventions, which were rational, yet non-necessary and non-arbitrary (see chapter 4). More generally, the testing of rules, however abstract, through experiments, became the paramount process for adjudicating the validity of abstract theories. The evolution of their different forms (scientific laws, customs, common laws, standards, etc.) stemmed from their

[5] This translation can be found in Marion (2004, 10).

success or failure in accounting for our relation to the world of phenomena. In a second place, these rules did not derive from an apodictic framework subjected to a rational exposition, but existed "only by tacit agreement," that is, they remained intersubjectively accepted by a community of practitioners. Ultimately, these conventions were produced by a series of discretionary decisions, which the historian of science must reconstruct. This tacit dimension of theories constitutes a cornerstone of Hayek's and Polanyi's description of the superiority of the market, in that it made manifest reservoirs of personal knowledge that positivistic description of human interaction failed to include. The tacit nature of most of practices, once acknowledged, became of decisive importance to the neoliberal refutation of the computational powers of any social theory which purported to organize society according to a predefined plan. Crucially, the fact that this tacit agreement was rooted in the conditions "in which we happen to live" conferred an epistemological importance to factors which were external to the production of knowledge. The selection of conventions and their adoption or rejection were bound within a life-world over which ethical and social values presided. Influencing these "external conditions" thus became crucial for defining these boundary conditions in which scientific work—as well as any social activity—took place. No scientific body of truths existed *in abstracto,* outside of the situatedness of its epistemic community. Rougier proposed that truths obtained through deductive theories were either self-referential or tautological, and depended entirely upon the conventional hypothesis chosen as their premises. Only these contingent axioms conferred any degree of validity upon their results: there was no correspondence between logical principles and deductive theories on the one hand, and the objective world on the other. The validity of a deduction should not deceive us as to its explanatory reach within the world.[6]

[6] This antirealist position is close to the one found in Ludwig Wittgenstein's *Tractatus* which would have a key influence upon the work of the Vienna Circle on this matter.

Therefore, a share of opacity remained at the core of any scientific truth, each only a partial resolution of a problem defined in a given set of parameters. Logic and reasoning were not innate, and thus necessary; they had appeared as the result of a long cultural evolution and selection, thus constituting one of many possible mentalities (1920b, 443ff). Preceding Hayek and Lippmann on that point, Rougier conceived of Reason not as a unique, universally shared faculty, but as "the sum of the average opinions" and "the generalization of daily empiricism" in a given time and place (Rougier 1920b, 465). It was a relative notion which contained as many mistakes as there were truths: what was deemed rational depended ultimately on common opinion, not on stable axioms. Hence, the process of science—revealed through its *history*[7]—worked ceaselessly to contradict the dogmas and truths we took to be self-evident. Nonetheless, this critical work, which unfolded through time, ought not to lead to absolute relativism or historicism, but to a "third solution" in which the successive conventions underpinning past rules and refuted doctrines—the 'historicity' of truth—were acknowledged. Echoing his minor thesis, Rougier conceived of a history of science as an evolutionary study of its conventional axioms, whereby local circumstances accounted for the practical aspects (*commodité*) necessary to anchor their legitimacy and usefulness:

> "The history of science teaches us that eternal truths, stated *a priori*, eternal and necessary, are either empirical generalizations, acquired late in the course of human evolution, or simple conventions that are neither true nor false, but only more or less practical (*commodes*), and that appear obvious only in virtue of certain empirical contingencies from the environment in which we live" (1920b, 43).[8]

[7] Here the proximity of Rougier with the French tradition of historical epistemology of science is striking and has been little considered so far. Gaston Bachelard and Georges Canguilhem held similar views regarding the relationship between the history of science, its epistemological evolution and the description of the process of science itself as an "axiological activity" (Canguilhem 1994, 30-31).

[8] Rougier's evolutionary epistemology, that considers the human mind to progressively enlarge its knowledge and mastery through successful generalizations, should be compared with Hayek's similar idea in the chapter 2 and 3 of the *Constitution of Liberty* (Hayek 2011, 73ff).

From this point of view, the creative rupture of the mathematicians and physicists of the early 20th century called for epistemology to free itself from the shackles of formal logic, and to operate without the safety net of either empirical induction or metaphysical anchoring.[9] Despite a very different context and some obvious differences, Rougier relied on the same critical epistemology as Polanyi, Hayek, and Popper: one which embraced historical and social contingency without relativism, which safeguarded validity without realism, and which committed to the theory-ladenness of observation and experience without adopting a full perspectivism.

From conventionalism to liberalism

Indeed, Rougier's interpretation of conventionalism is "the key to his entire philosophical work" (Marion 2004, 10). It constitutes the premise of his critique of political rationalism and the *mystique* it spawned,[10] and guides his refutation of sociological determinism. On the one hand, overlooking fundamental differences, Rougier found that the *tabula rasa* sensualist and empiricist thinking of the 18th century (Condorcet, d'Alembert, and Locke) had resulted in the same language and conclusions as the apodictic rationalism of Descartes. Instead of two contradictory doctrines (inductivism and deductivism), there remained only two variants of the same fundamental idea,

[9] Rougier writes: "The arguments by which classical Rationalists claimed to substantiate the belief in the existence of *a priori* truths, independent of our mind and of nature, are by no means convincing. In the light of the epistemological research of Mach, Pearson, Enriques, Duhem and Poincaré, these truths turn out to be, depending on the case, either formal propositions, hypothetically necessary theorems, empirical truths, heuristic hypotheses, or even conventions, that are neither true nor false, but merely practical. The refutation of Rationalism does not necessarily entail the justification of empiricism. There are, in fact, other alternatives for a statement than the ones in which the dilemma of traditional logic confined epistemology: to be either a rational truth, as such *a priori*, or else an empirical truth, as such *a posteriori. It could also be a hypothesis that is not susceptible to be verified by experience, or an optional convention, chosen among many other possibles one, for reasons of theoretical convenience or practical expediency*" (1920b, 439; my emphasis).

[10] For Rougier, rationalism, understood as one doctrine, "admits the existence of truths that are objective, *a priori*, unconditionally necessary, independent from our mind and from nature, that are at the same time laws of our thought and laws of being, such that our mind has no choice but to submit to them and nature to conform to them. To these truths, one give the names of rational or eternal truths. The faculty that grasps them, which is distinct from perception and empirical understanding, is reason. This faculty is *sui generis* and it is one and indivisible. It is in equal amount in all men and pertains to them in virtue of their essence" (Rougier 1920b, 437).

with some defending an identical innate reason in each individual, and others an equal aptitude to become reasonable (Rougier 1929, 96). On the other hand, the rationalist contention of the unity and indivisibility of reason had heralded the "dogma of equality" which posited an ontological and natural equality between all men (Rougier 1920b, 16). This belief led inevitably to the politics of egalitarian socialism in which the State, through constant interventions, was tasked with re-establishing the original equality that the development of society had spoilt (*ibid.*, 38).[11] Socialism, then, both as a theoretical construct and as a political program, was a direct descendant of political rationalism.

In the end, the real foe of Rougier's *Paralogismes* was not so much rationalism as a philosophical doctrine, but rationalism as it had been reconstructed through the spirit and ideas of the French Revolution, which had ended up "*par une sorte de logique immanente*" (*ibid.*, 30) to egalitarian socialism.[12] By 1929, Rougier had moved his target from the *mystique rationaliste* to the *mystique démocratique*. The main error of the *mystique démocratique* had been to consider equality not as a political achievement, but a consequence of natural law:

> "The principle of civil equality and of political equality can be pragmatically justified on the basis of common utility. The unfortunate thing is that the *Constituants* claimed to found it on an unshakeable philosophical basis [...] and that they recovered for that effect the mystical idea of a natural equality with which neither experience nor reason concur [...]. Thus, the democratic doctrine turns into a democratic *Mystique*" (Rougier 1929, 54).

[11] Rougier (1920b, 476) specifically locates the origin of this doctrine with Rousseau's *Social Contract* (Book II, chap. 9).

[12] Here, Bourdeau (2007: 107-108) notes that Rougier's conception of political rationalism owes a lot to Taine's *Origines de la France contemporaine*. Rougier's reliance on Taine accounts for the singularities and anomalies of his reconstruction of rationalism, especially his analysis of French theater and literature as proofs of the diffusion of the rationalist doctrine (1920b, 30-36). Bourdeau affirms that both Taine and Rougier owed a debt to Tocquevilles's *Ancien Régime* (Book III, chap. 1) in that regard. The slippery slope argument from mistaken epistemological premises to authoritarian socialism is very similar to Hayek's *Road to Serfdom*.

If the revolutionary movement had stopped at its second movement, realizing civil equality (1789) and political equality (1793), the regime would have been one of a liberal democracy fulfilling a democratic political doctrine, guaranteeing private property and freedom of trade. It was only by reaching its third step, and hypostatizing the equality of means (1796), that democracy had veered towards socialism and become an irrational *mystique* (Rougier 1929, 57).[13] For Rougier, these two moments marked two different conceptions of equality: one political and conventional, the other social and substantive, both of which remained, in the end, profoundly incompatible.

To conflate one's own dogmatic reasoning with how the world is actually constituted, for Rougier, the cardinal methodological mistake:

> "A doctrine becomes a *mystique* when it is removed from the control of experience and the trial of discussion so as to be treated as a sacrosanct dogma, or when it stands on a basis which has no empirical nor rational sense and reveals only a passionate conviction" (Rougier 1929, 12-13).

The *mystiques* then became akin to secular religions whose precepts evaded any control by experience, and were transformed into a motive of faith and conviction, without being experimentally tested. The veil of *mystique* lifted thus, whenever political principles revealed themselves as mere conventions suggested by experience: any philosophical attempt to confer other foundations to these political principles, must therefore rely on a metaphysical discourse, rendering it scientifically meaningless (Marion 2007, 204).[14] As a result, Rougier rejected the rationalist and naturalist premises of socialism as well as those of classical liberalism: *laissez-faire,*

[13] More than Vilfredo Pareto, to whom *Mystique démocratique* (1929) was dedicated, Rougier was indebted to Gustave Le Bon and Guglielmo Ferrero in disparaging the masses as holding an "inferior mentality" and surrendering easily to "the mirage of fallacious utopias" (1920b, 51).

[14] Bourdeau notes that two different definitions of "mystique" are employed by Rougier in *Mystiques démocratiques*. The first one tends to oppose doctrine and mystique whereby a mystique is a "a passionate doctrine" (Rougier 1929, 458). The second definition doesn't depend on this sentimental mode of support, but on its contents: an irrational component is added to pass from the former to the latter (Bourdeau 2007: 110-1).

once the engine of progress, had become "obsolete." It had mistakenly elevated its axioms to the status of canons, whereas "in practice, everything is reversible, nothing is permanent, because the actions and ideas which are the motives of our own actions have *unexpected consequences and incalculable repercussions*, which unfold as the conditions of social life evolve" (1920b, 46; my emphasis). A non-Euclidian liberalism would then abandon the dogma of the naturality of the economy, and endorse interventions and adjustments from the central state "to stimulate, organize, and coordinate particular efforts." Rougier's evolutionary and pragmatic liberalism, faithful to the dialectic between principles and experience, encompassed a definite role for the state as a dynamic partner for framing economic activity: "Placed in the necessity to intervene in all domains of national activity, the State must adapt itself to these new functions by creating competent and differentiated organs" (1920b, 49-50).

More than the accuracy of his deductions, some of which do not stand up to careful examination (Bourdeau 2007, 108-09), it is Rougier's method and objective which are of keen interest here. A clear comprehension of epistemological rules and their limitations, especially vis-à-vis rationalism's deceptive reliance on "universal" truths, should lead one to choose political ideas that are in agreement with sound positive knowledge. From the very start, Rougier situated his politics within a theory of knowledge which he thought necessary to expose firsthand. Both aspects mutually constituted a single project: restoring an epistemologically sound liberalism which superseded the failed *laissez-faire* doctrine, whilst doubling down as a scientific refutation of socialism. In this way, Rougier ambitioned to reform liberalism the same way Hilbert had remodeled geometry.

All roads lead to Vienna

If members of the Vienna Circle esteemed Rougier as the author of the *Paralogismes* (Bourdeau 2007: 101), it was surely not for its liberalism. Before exploring Rougier's specific role in the elaboration of neoliberalism, it is important to further observe his epistemological commitments, as they mingled with the Vienna Circle, a group that had such a large influence in the diffusion of a new scientific spirit into philosophy and the social sciences. Moritz Schlick was perhaps the greatest critique of the existence of a synthetic *a priori* knowledge. For him, only truths which are self-evident to reason could be called true statements by definition, such as the statements of formal logic and mathematics. The truth of all other statements had to be evaluated with reference to empirical evidence. If a statement was proposed which was neither a matter of definition, nor capable of being verified or falsified by evidence, that statement was deemed "metaphysical," here synonymous with "meaningless" or "nonsensical."[15] Pseudoproblems represented an omnipresent theme in Rougier's early works on the philosophy of physics, well before Carnap's famous critique of *Scheinprobleme* inspired by Wittgenstein's *Tractatus*.[16]

Rougier's similarity of views with the *Verein Ersnt Mach* in Vienna and Reichenbach's *Gesellschaft für empirische Philosophie* in Berlin led him to join both groups and to attempt, without success, to create a similar forum in France: la *Société Henri Poincaré* (Berndt and Marion 2006: 31). In 1932, whilst on his way to the Soviet Union (see *infra*), he met with Reichenbach in Berlin, and from there the idea of an international congress of scientific philosophy emerged. After his trip to Russia,

[15] See in particular Schlick's article "Meaning and Verification," originally published in 1936 (Schlick 1979, 456-481).

[16] Rougier wrote in this unpublished text that: "It is commonly accepted that most philosophical problems are unsolvable problems because they are non-existent. The subjectivity of our senses, the anthropomorphism of our analogical reasoning, the substantialist tendency to hypostatise our concepts and take for real distinctions which are merely logical, lead us to set for ourselves pseudoproblems. […] To solve them is always tantamount to show that they are problems ill-founded [*mal posés*]" (extract from a text by Rougier from 1917/1918; quoted in Berndt and Marion 2006: 30).

Rougier travelled to the East a second time, in 1934, on a private mission given to him by the Rockefeller Foundation.[17] Its purpose was to study the situation of the intellectuals in the totalitarian states of central Europe. During that mission, he witnessed the bloody repression of the Austrian socialist uprising of February 1934 firsthand. Also during that time, he participated in an important meeting of the logical positivists (nown as the *Prager Vorkonferenz*) where he officially undertook the organizational duties of the First International Congress of Scientific Philosophy, which he successfully convened in Paris in 1935 (cf. Rougier 1936) with Otto Neurath as a close collaborator (Berndt and Marion 2006: 31-32). There, Rougier would give, in addition to the opening and closing speeches, a communication on the "*Pseudo-problèmes résolus et soulevés par la logique d'Aristote*" (*ibid.*: 32) linking Aristotle's purely "verbal" ontology with his own criticism of pseudoproblems.[18] Once again, the issue revolved around the demarcation of a scientific language unencumbered by metaphysical assumptions. According to Rougier, once the recent progress in physics reached philosophy, it would dissolve the "mentalities" and metaphysical confusion which had been instilled by the reification of concepts and the anthropomorphizing of scientific ideas (Berndt and Marion 2006: 31).

On top of his participation in the Vienna Circle, Rougier would indefatigably try to promote logical positivism in France, again without much success, organizing another Parisian congress with Neurath in 1937 (*Congrès Descartes*) (*ibid.*: 33).[19] The Vienna Circle, Rougier explained to his French audience, had overcome the classical difficulties of empiricism which could not account for

[17] The Rockefeller Foundation would also pay for Rougier's stay in the U.S.A. from 1940 onwards by arranging an invitation to the New School in New York.

[18] "Metaphysics," announced Rougier, "is a disease of language, caused by a deficient syntax. Each spoken language entails, through the pseudo-propositions which its syntax allows, a spontaneous metaphysics. [...] Aristotle's metaphysics is the metaphysics of the Greek language" (Rougier 1936: 189).

[19] Soulez (2006) provides a contextual history of the non-reception of the Vienna Circle in France during that time, despite two important conferences held in 1935 and 1937.

the *a priori* necessity of mathematical truths, nor for their applicability to nature (Rougier 1936: 185). Adhering to the tenet that logical rules were first and foremost rules of language, logical empiricists could now do away with many of the problems found in traditional logic, chiefly the question of its relation to the empirical world. "If pure thought does not add anything to experience," Rougier writes, "what does occur to metaphysical problems which are neither founded on experience, that is synthetic *a posteriori*, nor founded on language equivalences, i.e. tautological? The Vienna School does not hesitate to answer: these problems are *meaningless statements*" (Rougier 1936: 188). Logical propositions were tautological and did not teach us anything about the world, yet they were formidable tools for the establishment of alternative axiomatic frameworks which were internally consistent. Nevertheless, the propositions of the natural sciences which referred to empirical phenomena could not be deduced abstractly from pure logic, but could only be verified by experience. This clearly marked a separation between theory and facts, without making them hermetic to each other. Only a refined scientific method could guide us towards establishing propositions which could then be open to verification and falsification.[20]

It would be misleading, however, to consider Rougier merely as a French propagandist of logical positivism—although he felt that this was how he came to be regarded in his home country. His own conception of "pseudo-problems" and his refutation of metaphysics both predated his participation to these circles. Despite his close (organizational) acquaintance with Neurath, Rougier's philosophy and politics positioned him in closer alignment with the "rightwing" of the Vienna Circle (Schlick, Waismann, Kaufmann) than with the left one (Neurath, Carnap) (Marion 2004: 27). On the one hand, Rougier, like Hayek, disagreed with Neurath's conception on the Unity

[20] This project of scientific reform in philosophy is consistent with the general view of the Vienna Circle, and is also shared by Karl Popper in *The Logic of Scientific Discovery* (Popper 2002b[1935]).

of Science where the various sciences could be reduced to a single physical language. Physicalism sought to defeat the division between the social and natural sciences, whereas Rougier had demonstrated in his 1938 communication that the language of physics could not express either sensorial impressions, nor introspective reflections (Rougier 1961, 56-7). On the other hand, Rougier tackled the pseudo-problems of metaphysics in a dialogue with Schlick, with whom he was the closest. He brought several corrections in an attempt to clarify Schlick's classification of statements, in which he distinguished between unknowable problems and meaningless ones.

As a result, Rougier's epistemology was enriched by its contact with the Vienna circle. If he had previously drawn a distinction between doctrine and *mystique*, the elaboration of the critical tools of meaningless statements and pseudo-problems harmonized his intuitions with the powerful framework of logical empiricism. Rougier proposed a certain conception of science, whereby a rigorous methodology ensured the proper interpretation of results: "Human science can only be interpreted, in definitive, by the men who make it, just as the measurements of an instrument can only be interpreted by the theory of this instrument" (Rougier 1936, 194). Thus, science could be made to do a lot of different things. Through its careful elaboration under strict logical rules, Rougier, and with him the Vienna Circle, hoped to demarcate a sphere of knowledge sheltered from the ambiguities inherent to any language.[21]

In the end, Rougier's familiarity with the Viennese intellectual world reinforced his later affinity with Austrian neoliberals, who shared the same scientific worldview as he did. His journey demonstrates just how much the "new scientific spirit", which was prevalent in Vienna at the time,

[21] Despite growing difficulties in Europe, Rougier continued publishing in *Erkenntnis* until 1940—his last paper on the relativity of logic—as well as participating to the annual Congress for the Unity of Science in Cambridge (1938) and Harvard (1939). In that paper, Rougier defended that no single logic, universally valid, could exist, but that various logics could be called upon, depending on their "coherence of thought and efficiency of action" regarding the problem at hand (Rougier 1961: 53).

infused the elaboration of a new science of liberalism. Epistemological and methodological debates which attempted to distinguish valid knowledge from metaphysics, offered key theoretical resources to move liberalism away from naturalist tenets. In so doing, Rougier hoped to achieve a doctrine of liberalism which remained faithful to the conventionalist premises he had adopted in his early works.

PART 2. ROUGIER'S '*LIBÉRALISME CONSTRUCTEUR*'

Rougier's critique of the various *mystiques* was being eminently connected with his previous epistemological work, that is, with his attempt "to identify logical fallacies that had permeated the popular imagination, and in doing so to rescue and demarcate the proper spheres of scientific inquiry" (Burgin 2012, 68). As he had precociously announced in the introduction of *Paralogismes*, his philosophical work was intended to grant immediate political payoffs. Before paying close attention to Rougier's main work of political economy, *Les mystiques économiques* (Rougier 1938a), two further locations are of particularly importance in my understanding of how Rougier's life and work became entwined with both scientific philosophy on the East, and philanthropic organizations on the West: the Soviet Union and Geneva. Supported financially by international organizations, Rougier's visits to these two places entrenched his position as an important node in a wider network of scholars. His thought and actions during the 1930s accelerated the rapprochement between the philosophy of science and the renovation of liberalism.

The *mystique soviétique*

As I have mentioned above, Rougier's first contact with the philosophers of Berlin and Vienna coincided with his two trips abroad, one to the Soviet Union in 1932, and the other to Eastern Europe in 1934. Like Polanyi, the impact that a direct observation of the Communist system had on Rougier cannot be underestimated. In fact he himself claimed, some decades later, that it was this first trip which sparked his interest in economic and institutional problems (cf. Audier 2012, 98-99). It nurtured his new perspective of a "constructive liberalism" (*libéralisme constructeur*) in which institutions ought to guarantee the proper operation of the price mechanism. He later admitted that the spectacle of totalitarian regimes had proven to him "by the absurd, the necessity and the soundness of liberalism" (Denord 2006, 101). Like other early neoliberals, Rougier considered the success of the Soviet Union as a wake-up call for liberalism to change its message.[22] At the same time, Rougier was also scandalized by the attitude of the French intelligentsia, whose infatuation with Soviet Russia was in his eyes "absolutely unjustified." Rougier's previous epistemological views and liberal politics found, in the Soviet experience, a dramatic counter-example to the scientific liberalism he had envisioned.

Rougier's qualification of Marxism as a secular religion[23] was a logical elaboration based on the distinction between doctrine and *mystique* he had defined in his 1929 opus on the *Mystique*

[22] Rougier's confession of the influence of his trip to Russia can be found in a text he wrote in support for his candidacy to the ALEPS' Arnoulx Prize in 1970 : "I owe to a mission to the USSR (Sept.-Oct. 1932) […] the interest I have showed since then to institutional and economic problems. In order to react against the totally unjustified infatuation of a part of French intelligentsia towards the Soviet experience, it had appeared to me that the representation of the market economy had to be revamped. The Manchester School had neglected the study of the institutional framework that, alone, allows the market economy to function efficiently. They had further neglected the social question which made necessary to assign part of the national income from individual consumption towards collective ends. It was suitable then to admit the legitimacy of state interventions on the triple condition that the price mechanism was respected, the real cost of these interventions stated, and that they were financed thanks to actual revenues within a balanced budget" (Archives Rougier, quoted in Audier 2012b, 98-99n1).

[23] The proletariat is "the Elected People of Israel," "primitive accumulation" is the "original sin," the "République des Égaux" now represents the "new Kingdom of God" to come, etc. (Rougier 1934: 601ff).

démocratique, and his militant atheism. He portrayed the *mystique soviétique* as a new form of "state religion" "whose particularity is to present itself as [...] the highest synthesis of the totality of scientific knowledge." Soviet Russia, Rougier reported, was then perceived by most of his colleagues as the future of scientific philosophy (Rougier 1934, 600-1). Like Polanyi's pamphlet on USSR statistics (Polanyi 1936a), Rougier was struck by the contradiction between the promises and the actual results brought about by the regime. The loyalty and perseverance of the belief in this *mystique* represented "a transposition of the messianic hope found in Judeo-Christian Apocalypses" (Rougier 1934, 605) since it fulfilled "the aspirations of the human heart being laid within us for millennia by the prophets of Israel and the wise men of Greece, those which point towards a just and rational society, not based on the exploitation of man by man" (*ibid.*, 601-2).[24] With the *Manifesto* as its "Credo" and *Das Kapital* as its "Bible," this new faith was perpetually defended and justified by a mass of erudite men who erected a "New Scholasticism," a form of argument Rougier had all but virulently condemned in a previous book on the revival of neo-Thomism (Rougier 1925).

Beyond his approach to Marxism as a political religion,[25] the originality of Rougier's treatment of the Russian experiment lay in his attempt to scientifically defeat the Marxist system through the use of analogies drawn from physics and chemistry. For instance, he refuted Marx's historical materialism by calling on the Second Law of Thermodynamics (material systems do not tend towards higher more stable equilibrium) and biological processes which could show signs of regression (Rougier 1934: 612). Marxist science was supported by a fallacious epistemology: its

[24] Both Polanyi and Rougier regarded Communism as a form of religion. However, Polanyi perceived Communism as a substitute for a loss of religiosity and an ideology born of nihilism and materialism, whereas Rougier accepted it as the last mutation of the Judeo-Christian doctrine.

[25] Eric Voegelin acknowledged the influence of Rougier upon the elaboration of his own concept of "political religion:" "When I spoke of the *politischen Religionen,* I conformed to the usage of a literature that interpreted ideological movements as a variety of religions. Representative for this literature was Louis Rougier's successful volume on *Les Mystiques politiques*" (Voegelin 2011, 78).

results, unchecked by experience (or statistics) led one further and further away from the truth. The laws of dialectical materialism were not empirical or reached *a posteriori*, but deduced *a priori* from Hegel's metaphysical system, famously put on its head (*ibid.*: 607). Rougier was particularly interested in Friedrich Engels' application of dialectical materialism to the natural sciences developed in the *Anti-Dühring*. This effort to systematize human knowledge from the point of view of dialectical materialism was "the great work of the intellectual edification of socialism" (*ibid.*: 617). Rougier reminded the reader that in Soviet Russia: "science for science's sake, just like art for art's sake, are considered bourgeois heresies. *Soviet science is a political science, a class science*, which must serve the proletariat and allow them to build socialism. In the current state of affairs, with this prevailing *mystique*, *moral and political sciences are impossible*" (*ibid.*: 622; my emphasis). With decidedly informed examples drawn from mathematics, psychology and biology, Rougier addressed the considerable extension of "Marxist science" in the USSR, pointing out the absurdity of the obtuse application of dialectical materialism to all walks of life and trades (dermatology, smelting, fishing, etc.) which, he surmised, would eventually discredit the whole doctrine in the eyes of the laymen. To illustrate the scientific hubris which stirred Soviet scientists and their followers, Rougier claimed that during his trip to Moscow in October 1932, Abram Joffé, then president of the Russian Academy of Sciences, made a striking confession. He admitted that the Bolshevik regime was "purely transitory," and that it was there to "make a clean sweep:" "the day will come," Joffé told Rougier, "when the Bolsheviks will step down in favor of us. On this day, Russia will no longer be administered by the Politburo, but by the Academy of Sciences" (Rougier 1948: 33).

Among the early whistleblowers, Rougier noted the difficult situation of Russian geneticists, sent to Siberia because "the laws of Mendelian heredity are incompatible with Marxism-Leninism" (quoted in Dard 2007: 56). At around the same time, and against the tide of their respective

settings, both Rougier and Polanyi had reached very similar conclusions as to the use of science for propaganda in totalitarian countries. The politicization of science in Soviet Russia, and its repercussions in the French and British scientific communities, polarized scientists and made them sensitive to the social conditions of their work. Scientific philosophy, instead of unifying mankind, had led to more divisions in the name of rival conceptions of science, the scientific method, and its political objectives.

"Retour au libéralisme"

Following these two trips to the East, Rougier would be invited twice to another important location for the development of early neoliberalism (with London and Vienna): the *Institut Universitaire des Hautes Études Internationales* in Geneva, where Ludwig von Mises and Wilhelm Röpke were both residents in exile at the time. Both of his books *Les mystiques politiques contemporaines* (1935) and more famously *Les mystiques économiques* (1938) were drawn from the lessons he gave at the Institute in June 1935 and June 1937, respectively. During that time, Rougier befriended both men with whom he would keep in touch with his whole life.[26] In Mises, Rougier found the scientific refutation of socialist economics he would use in his own refutation of planning. From Röpke's ideas, Rougier derived a strong role for the State in implementing the right conditions for the price mechanism to function.

Les mystiques économiques is Rougier's only book dealing exclusively with economic matters. If anything, he was probably the first French philosopher to foster an interest in economics, and he was a regular contributor to the *Bulletin quotidien* of the *Société d'Études et d'Informations*

[26] In 1940, Rougier would facilitate the crossing of the Spanish border of Mises when, fearing the invasion of Switzerland, the latter fled through the French *zone libre* and was arrested. They would meet frequently in New York during the war. Röpke invited him to contribute to the ordoliberal journal ORDO in which Rougier published one article in 1962 (Berndt and Marion 2006: 46, 51).

Économiques in the 1930s (Berndt and Marion 2006: 43). Denord describes Rougier as a "prophet" and a "crusader" of neoliberalism in France, as he launched an organized campaign to promote neoliberal ideas upon his return from Geneva in 1937 (Denord 2002, 2006, 2007). While his previous work had been written in a critical vein, with little of a positive program to be found within it, the year 1937 marked a decisive change in Rougier's activities. The founder of the newly created *Librairie de Médicis*, Marie-Thérèse Genin, entrusted Rougier with the editorship of a series of books promoting liberalism, aimed at disseminating its main texts to the elite. The goal of the series, Rougier wrote to Lippmann, was "to contend with Marxism, guided and planned economics and to point out the way to salvation through political and economical [sic] liberalism."[27] In that regard, the small publishing house was a precursor to the propaganda-oriented publishers which would flourish in the United States after the end of World War II (e.g. Henry Regnery or the Foundation for Economic Education). On top of publishing the translation of Lippmann's *The Good Society,* the *Librairie de Médicis* published French translations of seminal works by Fritz Machlup, Ludwig von Mises, Friedrich Hayek, and Lionel Robbins, in the span of less than three years.[28] This strategy of knowledge production and circulation, which had become a hallmark of the Mont-Pèlerin Society, took its baby steps with the editorial activism of its Parisian node.

If Rougier's efforts towards spreading logical positivism in France had had limited success, this time around he had with him the support of a pro-active group of intellectuals, who were themselves looking for allies and relays in different countries. At the beginning of 1938, Rougier called for a "Retour au libéralisme" (1938c), which carried an apocalyptic and bitter diagnostic of the effects of "statism" upon the country. Situating the problem in line with his previous discussion

[27] Letter Louis Rougier to Walter Lippmann, 8 July 1937 (quoted in Burgin 2012, 68).

[28] For the Librairie de Médicis and its role in the activation and diffusion of French neoliberalism, cf. Denord (2006, 128-138).

of the *mystique démocratique*, Rougier warned that whenever the institutions of liberal democracy fell prey to the egalitarian masses, they were gradually replaced by totalitarian states. Their decay was a symptom of the "moral crisis of the West" (Rougier 1938c: 179-80): Liberalism had become "a historical category," "a lost cause" and, far from representing an alternative, it had been supplanted by fascism and communism as the two main ideological options, despite their "common platform" (*ibid.*: 180-1).

The root causes of the current dead-end were not to be found in the political realm, but in the intellectual and scientific ones: minds were out of joint (*dérèglement des esprits*). Liberal democracy did not fall due to the push of totalitarianism, but slowly perished by dismantling the protection of individual initiative and by conferring more and more powers to the state. State interventionism "leads up to the necessity of being profitable by becoming authoritarian" through the suppression of economic and political liberty (Rougier 1938c: 183). Early neoliberals promoted this idea that the road to fascism or communism was paved by the good intentions of *Front populaire* politics. Reading Rougier, it is clear that the slippery slope argument of state interventionism leading to full-scale totalitarianism was rather common among early neoliberals. In that regard, Hayek's similar thesis in the *Road to Serfdom* was hardly original (see chapter 5).

Rougier's critique of classical liberalism

Rougier's *libéralisme constructeur* was one of the many attempts at encapsulating the mood of liberal reformism (or liberal interventionism) away from central planning, which early neoliberals shared at the time (see Audier 2012b, 61-64). Drawing from Lippmann, Rougier's solution to the moral crisis of the West did not lie either with collectivism nor with the 19th century "laisser-faire, laisser-passer," but with a liberalism which entailed "a positive juridical order so that the possibility of free competition is always preserved" (Rougier 1938a, 34n1). In Rougier's

perspective, the rule of law (*État de droit*) represented a civilizational achievement which had ousted the providential will of priests and kings. It constituted a complex system of norms and rules which allowed for individual liberty to flourish, and which was under the threat of being swept away by a newly created state theocracy (*ibid.*, 26). In Western civilization, the rule of law had developed concurrently with the rise of commerce, when stable rules had been required to secure transactions. Democratic and constitutional institutions were themselves the result of the progressive liberalization of the economy. Whereas liberalism was cosmopolitan, commercial, peaceful, and democratic, plannism threatened to bring autarchy, nationalism, militarism, and dictatorship to the political table. For Rougier, the "genius of the West" had been to provide a "fertile arena" where individual initiatives could weigh each other up. To ensure "the fairness of the struggle from which springs human progress" was to be the goal of the state, not to plan and contain this vital energy (*ibid.*, 177).[29] The value given to individual agency and dignity endowed liberalism with a moral superiority, sanctioned by historical success.

Therefore, the fundamental issue with liberalism lay in the application of its principles rather than its intrinsic validity. Rougier directed two main criticisms at the liberalism of the preceding century, both of which found substantial echoes in early neoliberalism (see *infra*). On the one hand, Rougier regretted that the economic science of *laissez-faire* had become both a political maxim and a sociological principle of intelligibility. This "methodological mistake" had made economic issues the center of gravity of political action, perverting its course away from the guarantee of a "sociological equilibrium" (1938a, 75-6). On the other hand, 19th century *laissez-faire* had

[29] This theme of the superiority of the Western course of moral and political development, linked to his anti-Christianism, would make Rougier's fortune decades later with the ideological movement called the "New Right" (*Nouvelle Droite*). One of its main protagonists, Alain de Benoist, acknowledged Rougier as a foundational influence, re-edited some of his books (notably the *Mystique démocratique*) and invited Rougier to participate to the GRECE activities. For more on this topic, see Dard (2007: 61-63) and Berndt and Marion (2006: 83-89).

arbitrarily divided between the realm of the law and a sphere shielded from regulation. As a result, it had misunderstood the pervasive place of law as the creator and guarantor of contracts and free trade. This dogmatic dichotomy had led to passivity in the economic domain instead of driving liberalism to continue its reformist work of instituting a free economy. From sound doctrine, it had fallen into a *mystique*. Between the liberal *mystique* and true economic science lay a fundamental difference: the latter fully embraced that the market order, far from being natural, depended on *constructed* political and social institutions (Dardot and Laval 2013).

Against this failed doctrine, the interventionist reaction had "sheltered" capitalism with protected monopolies and guaranteed wages. As a result, it was not economic anarchy but creeping protectionism and interventionism, driven by the unions and the masses, which were ultimately responsible for the economic crisis (Rougier 1938a, 9).[30] Moreover, interventionism had instilled a providential belief in the economic powers of the state which tallied with "the magical mentality" of the masses against the hard and cold laws of economic equilibrium (*ibid.*, 28). If democracies were to be saved, they had to limit the powers of the state for those of the individual and embrace a liberalism which did not settle for the *status quo* but was "progressive and constructive" through its system of laws. "The liberal state," wrote Rougier, "far from being passive and resigned on economic matters, must be strong enough to avoid the pressure of those economic interests wishing to bend in their favor the rules of the market," namely workers and employer unions (Rougier 1938a, 84). Constitutional reform instituting a strengthened executive branch would resist the coalesced interests perverting the democratic field (*ibid.*, 196-7).

[30] This diagnostic is once again very similar to Lippmann's. Both Rougier and Lippmann were inspired in that regard by Lionel Robbins, whom Rougier admired and quoted favorably in *Les mystiques économiques*.

The passive role of the state within classical liberal theory was routinely condemned by early neoliberals. As an alternative, they all wished to restore a positive understanding of the state's power to organize and guarantee a competitive economy.[31] In fact, a liberal economy entailed an "active and progressive juridical order" which made it possible for the "republic of consumers" to cast their votes on the free market. Rougier's program promoted a strong state "within strict attributions," which guaranteed the rights of the individual and the "free selection of the elites." Interventionism of a different kind was thus required: a "juridical interference" (*ingérence juridique*), one which would secure "a loyal competition" by enforcing the rule of law, and ensure that the current "scientific potential" could be fully exploited. *This* was "true liberalism" (*libéralisme véritable*).

The rehabilitation of liberal economic science

A second convergent line of inquiry was the rehabilitation of liberal economic science as genuine scientific economics, against the prejudice of scientificity which had become concomitant with plannism (Rougier 1938a, 27). Economic science was one, while the *mystiques* were many: one was value-free, the other partisan and programmatic. Rougier advocated that "economic doctrines, which are prescriptive, are not scientific theories. To prevent any ambivalence, we'll call them *mystiques économiques*. Among these *mystiques*, some fall, however, within a more or less magical mentality or with a scientific mentality*"* (*ibid.*, 37). Although there could not be a 'liberal science' *per se*, the liberal doctrine was supposedly the most rational since its arguments followed the conclusion of economic science as closely as it could.

[31] This analysis of neoliberalism as an intellectual project propelled by the application of a competitive rationality to all social spheres, is the thread running throughout Dardot and Laval's influential thesis on neoliberalism (Dardot and Laval 2013).

In line with his ideas from 1920, Rougier reminded the reader that 'true' laws were not an accurate depiction of reality, but relied on the fulfillment and stability of certain conditions to be able to make exact predictions. Dealing with complex phenomena, economic laws could not reach the same level of certainty as astronomical laws, which described simpler systems; the potential for interference and interaction was so great that the list of conditions for economic laws to work was hard to enumerate (*ibid.*, 53-56). As a result, epistemological confusion had dented the credibility of economic laws, mistakenly considered as certain as physical or mathematical laws. Far from handing us social truths, economic science, like any other science, was conventional and pragmatic, and ultimately based on method and experience.

Whereas a planned economy seemed to finalize humanity's efforts to rationalize itself by means of science (see chapter 1), it was also a child of the *mystique rationaliste*, a form of scientific hubris (Rougier 1938a, 90-91). As Rougier had shown in his criticism of the USSR, the scientificity of the Marxist doctrine was "unjustifiable both in experience and in reason:" it was epistemologically vitiated because it referred to an "obsolete theory of knowledge, that of the thought as replica" (*ibid.*, 152-153). A planned economy was not only a flight of fancy, but a scientific fallacy, since "such an endeavor presumes that circumstances, by nature continuously variable, remain constant; that innumerable variables upon which the creation and circulation of wealth depend are known; that tastes, needs, preferences, which are purely qualitative and subjective things, can be quantified" (*ibid.*, 27). Like the spontaneous equilibrium of gas molecules within a sphere, the statistical distribution of society was impossible to predict and to calculate: the subjectivity of economic agents made their behavior opaque to individual scrutiny, yet allowed for statistical regularities to develop. Gas kinetics allowed us to see how the freedom of each atom (invisible to the naked eye), far from provoking anarchy, led to a pressure and temperature equilibrium, which we could observe. These different orders of magnitude ensured the catallaxie of the economy: from

the freedom of the "human molecules" resulted a "collective order" at a higher level (*ibid.*, 51). The cognitive limitations of the agents and the resultant dispersion of information made a directed economy impossible because it broke this "marvelous calculating machine that is the price mechanism" (*ibid.*, 28). From apparent disorder stemmed a higher order, with economic freedom as its ordering principle.

In consequence, only in the case of "economic regimes which are juridically liberal could economic science be usefully employed, because one can contract as he likes" (*ibid.*, 63). In other words, there existed an 'elective affinity' between the rigors of economic science and the liberal doctrine. Freedom of contract entailed a form of autoregulation akin to the molecules within a sphere of gas, wherein the return to equilibrium, whether for temperature (Vant'Hoff), pressure (Le Chatelier) or electromotive force (Lenz), caused compensatory reactions. Despite his conventionalism, Rougier preserved a fairly positivist view of the notion of equilibrium as the 'Archimedean point' of the economy, whereas Hayek and Lippmann were tending away from such a conception, and towards a more processual and dynamic description. Although one may conceive of this chemistry-inspired description as naturalizing (or physicalizing) economics by likening molecules to humans, I argue that it ought to be seen as an analogy more than as a reduction. For Rougier, a gas mass provided an analogue of the "perfect liberal regime," a statistical equilibrium which thinking human molecules were bound to disrupt. The ordering principle of the price mechanism was perpetually disrupted by the irrationality and imperviousness of individual psyches and their relations: "On the kinetics of economic actions is superimposed, as to belie them, the dynamics of

the psychological interactions between human groups" (*ibid.*, 191).[32] Similarly, the State represented a structure which restricted the individual's "degrees of freedom" (*ibid.*, 191).

In Rougier's work as well, there existed a constant opposition between the opaque and the visible: liberalism was contingent on the preservation of an opaque sphere of activity, whereas the planned economy sought to bring the whole process to the foreground, mistakenly believing this was possible. Whether of a positivist inclination, like Rougier, or a skeptical one like Hayek, there remained a division between two distinct epistemological realms: the micro-level and the macro-level, which each obeyed different rules and were subjected to different observational possibilities. The project of socialist planners bridged these two spheres, whereby tacit knowledge would be made explicit and visible to the eye of the planner. To this end, the social sciences would be the strong arm of such an endeavor, tasked with revealing the hidden inner workings of society and its individuals so that their actions and thoughts could be adjusted. Early neoliberals, on the contrary, stuck with the idea that the micro-realm's complexity was so great that exact knowledge was impossible and intervention harmful, or at least compromised by incomplete information, which led to unforeseeable consequences. Therefore, the problem did not arise from the limitations of economic science, but from the opacity of psychology, a realization which was precisely the locus of Hayek's epiphany. Rougier's marvelous chemical analogy at the end of the *Mystiques économiques* illustrates vividly the attraction of the natural sciences on economic thinking. However, contrary to classical liberalism, these analogies between economic activity and physical or chemical laws, did not operate a reduction aiming at anchoring economic science in the natural sciences. On the contrary, these updated analogies incorporated the precautions which had stemmed from the new scientific spirit of these disciplines into social theory: the imprecision of

[32] A similar formulation is found in Popper's *Poverty of Historicism*: "The human factor is ultimately the irrational element in social life and social institutions" (Popper 2002c. 146).

micro-observation, the antireductionist properties of ensembles, the hazards of hypostatizing regularities.

The epistemological foundation of a reformed liberalism

This demonstration confirms that Hayek and Rougier were much closer on an epistemological level than previously believed. Both are materialist and adopt a unified view of science and the world at the ontological level. Yet, both admit the necessity of a certain "weak dualism" between the "natural" order and the social order. Since the psychology of the individual is in itself representative of a separate order (from the "natural" one), the social world cannot be reduced to the physical one. As a result, both Hayek and Rougier reject the application of statistics and mathematics to social problems, because of the epistemological problems of probabilities, and condemn any attempt at "social engineering" (Nadeau 2007: 155). In an article from 1948, Rougier decried the use of econometrics (promoted by his friend Jacques Rueff) because it led to a "technocratic conceit" that ambitioned "to put everything into equations" based on by a metaphysical belief in a universal determinism (Rougier 1948: 36). Crucially, Rougier asserts that "microphysics reveals to us, at the atomic scale, a fundamental indeterminacy" akin to Heisenberg's uncertainty principle (Rougier 1948: 37). This "boundary epistemological situation" (Nadeau 2007: 156) finds its exact match in the social sciences. "In political economy," Rougier writes, "the more one tries to fixate the value of variables upon which the behavior of a system depends, the more one unleashes one last variable which throws off all predictions" (Rougier 1948, 38). Isolated systems (or simple systems) are not subjected to the unlimited variation introduced by the "relations of complementarity" present in the social world, which make predictions uncertain, and global direction impossible. As a result, the planned economy represented an

intellectual rubble, based on a fundamental misunderstanding of the laws of physics and science from which it claimed to draw its inspiration and efficiency.

Rougier, to a much larger extent than Hayek (although he was an exception among early neoliberals), used physical and chemical analogies to describe the workings of "spontaneous," "dynamic," or as he called them "self-regulated" orders. As he made clear at the end of the *Mystiques économiques*, psychological interactions, which are subjective and impossible to know objectively, were too complex and opaque (like the exact positions of molecules in a gas mass) to be potentially seen and directed. They constituted their own order, of which we could observe only certain regularities, but which remained known only at a macro-level, the one at which physical and economic laws are stated. Concurringly in Hayek, Rougier, and Polanyi, their dual understanding of economics was predicated on an epistemology which distinguished between spheres of exact knowledge, and spheres where precise knowledge was impossible because it remained dispersed, tacit, opaque. This distinction is fundamental to the establishment of neoliberalism, and it pervades Lippmann's and Popper's writings as well. From this position, the "scientism" of economists who associated economic prediction and physical measurements was criticized because it mistakenly assumed that economic science could reach the same level of precision and knowledge as physics or chemistry. The true relation between the two disciplines was that both worked on *analogous* terms: an invisible sphere at the core from which we could deduce certain regularities if boundary conditions were known and constant. Crucially, analogy did not entail symmetry. However, analogies *bien entendues* buttressed the scientificity of the market when conceived as a place of "spontaneous order," whose workings were understood as analogous to that of the brain or a gas mass among others. Extended to other societal orders, this analogical model functioned as a modular heuristic, superseding reductionist theories, and providing a unified liberal picture of the world.

PART 3. LIPPMANN'S INTELLECTUAL DEVELOPMENT UNTIL *THE GOOD SOCIETY*

Walter Lippmann was perhaps the best-known publicist of his time and among all our protagonists, the most famous and widely-respected. He was also the only American. In his early publications, *A Preface to Politics* (1913) and the influential *Drift and Mastery* (1914), he had given a voice to the progressive preoccupations of his time, and framed them within a modern and pragmatic perspective. In that sense, and later with his books on *Public Opinion* and *the Phantom Public*, Lippmann had always been attentive to the relationship between knowledge and politics, conscious that the epistemological problem of uncertainty had tremendous consequences for the world of political practice (Kloppenberg 1986, 318). His early writings provide clues to my assessment of the way in which Lippmann's path reflected the early neoliberal search for a new scientific footing, and their commitment towards a market economy set within a liberal order.

Science as mastery

Lippmann graduated from Harvard in 1909. There, he befriended the founder of pragmatism, William James, and Graham Wallas, who dedicated his *Great Society* to him. It was from Graham Wallas that Lippmann acquired a durable inclination towards empirical psychology as a prime domain for study and reform. Following James' diagnostic of uncertainty after World War I, Lippmann offered science as the new master capable of stirring men in an age of drift (Kloppenberg 1986, 318-320). Scientific ideas "promised to resolve the conflicting desires for authority and order, on the one hand, and for liberation and flexibility on the other" (Hollinger 1977: 464). Distancing himself from positivists in the style of Comte and Spencer, Lippmann adhered to a philosophy of experimentation and adjustments. In Wallas' *Great Society*, men needed

constantly to adapt to a new environment, whilst requiring an increasing amount of information and facts, as the complexity of the world – and its opacity – increased (Clavé 2015: 2-3). Lippmann contrasted this view to the *a priori* theories of economists, especially their Economic Man, whom he derided as "a lazy abstraction," in which human nature had not progressed "beyond the gossip of old wives' tales" (Lippmann 1913, 62). "Our primary care," Lippmann warned, "must be to keep the habits of the mind flexible and adapted to the movement of real life" (*ibid.*, 29). In the future, Lippmann anticipated, "there will be much less use for lawyers and a great deal more for scientists" (*ibid.*, 225). Science and social control were then two sides of the same coin. The State had a duty to provide the public with infrastructures and institutions needed for social improvement.

In *Drift and Mastery*, Lippmann also lambasted dogmatic progressives who relied on the application of a single idea—the "panacea habit of mind" (Lippmann 1914, 184)—and ceased to adapt themselves to a changing world, much like those bemoaning the loss of the golden age.[33] Marxists had become "God's audience, and they know the plot so well that occasionally they prompt Him." In the real world, Lippmann cautioned, "destiny is one of the aliases of drift" (*ibid.*, 182, 184). Lippmann's pragmatic orientation meant that the legitimacy of authority ought to be based "not on its historical origins but on its subsequent performances" (Diggins 1994, 330). All those who believed in the existence of one certain remedy failed to acknowledge the demands of self-government, the "adulthood" which uncertainty required: no destiny, no automatic device, no simple analogy, could replace the imagination and experimentation required in the present (Lippmann 1914, 189-190).

[33] Lippmann writes about these utopian thinkers: "The past which men create for themselves is a place where thought is unnecessary and happiness inevitable" (Lippmann 1914, 177) and: "there has arisen in our time a large group of people who look to the future. They talk a great deal about their ultimate goal. Many of them do not differ in any essential way from those who dream of a glorious past. They put Paradise before them instead of behind them" (Lippmann 1914, 179).

For Lippmann, it was not science as a body of eternal truths, but its methodology, which gave the key to recovering mastery. The intersubjective method of scientific validation, both democratic and processual, offered the only course of action for recognizing and correcting mistakes (*ibid.*, 273-275). It provided the fount of authority which had been lost in the modern world. "Rightly understood," asserted Lippmann, "science is the culture under which people can live forward in the midst of complexity, and treat life not as something given but as something to be shaped" (*ibid.*, 275). Moreover, far from shunning man's emotional needs, science was actually rooted in them (Hollinger 1977: 465). Rightly practiced and understood, it pointed towards the emancipation of political ideas from their ideological substrate. Furthermore, understood together, science and democracy walked hand in hand as one influenced the process of the other: "democracy in politics is the twin-brother of scientific thinking. [...] As absolutism falls, science arises. It *is* self-government. [...] The scientific spirit is *the discipline of democracy*, the escape from drift, the outlook of a free man" (Lippmann 1914, 275-6). Both science and democracy were emancipated from the old sources of authority and embodied mastery defined as "the substitution of conscious intention for unconscious striving." "Civilization," Lippmann continued, "is just this constant effort to introduce plan where there has been clash, and purpose into the jungles of disordered growth" (Lippmann 1914, 269). As such, Lippmann's commitment towards science entailed both a belief in the competency of managers and scientific experts, but also a promise that every man could elevate his life to the methods and achievements of science. Like James and Dewey, Lippmann assumed that "science itself could provide a mode of thinking and analysis without depending on the abstract moral categories of conventional reason" (Diggins 1994, 327).

In *Drift and Mastery*, Lippmann's positive view of state intervention was at its highest, while at the same time he commended the scientific spirit as the discipline of everyday life. Hollinger remarks that: "Nowhere is the antagonism toward stasis, doctrine, and absolutism more intense than in

Drift and Mastery, and nowhere is the yearning for control and organization more real" (Hollinger 1977: 475). Lippmann's position was typical of the interwar progressives, and by the end of the decade "all the social sciences were looking to disinterested political leadership and scientific expertise—in short, to state autonomy—as the answer to the multisided crisis of American democracy" (Ciepley 2006, 77). For the young Lippmann, science was the twin pillar of progressive democracy; whereas later, liberalism would come to replace democracy as the foundation of freedom and truth.

Science as prophylactic

Lippmann's interests in social psychology were at their most visible in the 1920s, when he published a spat of books detailing what he perceived to be the greatest danger to democracy in his time: the manufacturing and manipulation of opinion. "Freedom of thought and speech," Lippmann wrote in 1919 to Ellery Sedgwick, editor of the *Atlantic Monthly*, "present themselves in a new light and raise new problems because of the discovery that opinion can be manufactured. The idea has come to me gradually as a result of certain experiences with the official propaganda machine."[34] It is telling that Lippmann's lens in the 1920s deviated from social reform to focus on the psychological weakness of the public. For the first time, journalists, not scientists, became the key corps responsible for democratic health. Competent journalists, Lippmann thought, relying on fact and science, would protect the public from their own ignorance, which was constantly being stirred up by demagogic politicians. They were tasked with spreading the scientific spirit among citizens, and engendering an informed public which Lippmann, and many with him, thought indispensable to countenance the corrupting strength of private interests. Journalists, as

[34] Letter Walter Lippmann to Ellery Sedgwick, 7 April 1919; quoted in Goodwin (2014, 29).

privileged intermediaries, were thus expected to exhibit "the highest of the scientific virtues" (Lippmann 1920, 82).

The year Lippmann published *Public Opinion* (1922), he participated in a discussion group in New York City attended by, among others, Learned Hand, Herbert Croly, and William Ogburn. The group sought to examine how "new" psychology might "enlighten humans about themselves, the economy, education, conflict, religion, creativity, and old age" (cf. Goodwin 2014, 31). Introducing the word "stereotype," Lippmann railed against the psychological weaknesses these cognitive shortcuts entailed. He blamed it, again, on orthodox economists and their popularization of these convenient models: "With modification and embroidery, this pure fiction, used by economists to simplify their thinking, was retailed and popularized until for large sections of the population it prevailed as the economic mythology of the day" (Lippmann 1922, 43). Both economists and socialists were guilty of resorting to stereotypes, and of reducing the complexity of psychology to simple determinants. Both theories, concluded Lippmann, rested "on a naïve view of instinct" (Lippmann 1922, 63). The main take-away argument of the book was that no such thing as a singular public opinion, fully-formed and susceptible to enquiry, existed. The multiplicity of thought and individuals were not easily reconciled in one positive aggregation. Lippmann blamed scholars in political science, particularly those specialized in democracy, for not having clearly defined the functions of the public and not having specified from which data, information and knowledge, the public opinion was formed (Clavé 2015: 6).

Despite his criticism of the ignorance of the masses, Lippmann did not favor the rule of a competent elite, but instead sought a wider diffusion of a critical spirit in society, away from dogmatism: "the chief emphasis of the book," Lippmann wrote to one critic who complained that the book

supported the omnicompetence of the scientist, "is directed against the dry, thin rationalist."[35] Both *Public Opinion* and the *Phantom Public* challenged the assumption that democracy placed its authority in the people, insofar as their thoughts were determined by the biases intrinsic to their mode of acquiring information. Informed public opinion and the "omnicompetent citizen," so dear to Jefferson, were a "lost species" (Diggins 1994, 332). At the level of government, the Madisonian dream that representatives would "refine and enlarge" the opinion of their constituents had been abandoned, not solely because of parochialism, but mostly because officials approached public issues with particular mental images and stereotypes chosen by proximity and convenience .

Like Rougier, Lippmann disjointed the dogmatism of the *a priori* rationalist from the empirical efforts of the social sciences, grounded in experience and the social world. The cognitive reduction afforded by a theoretical view of the world prevented the diffusion of objective facts. It is obvious that Lippmann showed an early interest in how knowledge was socially produced and circulated, and the relation between the availability and reliability of public information, and the direction society was taking. In *Public Opinion*, Lippmann "had laid bare some of the epistemological weakness of popular democratic theory, and, implicitly at least, of 'collectivism' as well" (Riccio 1994, 122). Through his analysis of the circulation of information and the social psychology of the public, he had begun to question the epistemological foundations of a good society through the problem of representation. If Lippmann thought that public misinformation could be corrected by expertise in *Public Opinion* (1922), the *Phantom Public* (1927) expressed doubts as to the existence of an objective viewpoint on the world: could the visions of men ever be corrected? "No one, neither the administrative experts enlightened by scientific intelligence nor the masses moved by interests, neither the few nor the many, can claim a privileged grasp of the objective truth about

[35] Letter Walter Lippmann to Gerald Johnson, 18 May 1929; quoted in Goodwin (2014, 33).

the public good" (Diggins 1994, 333). The dispersion of knowledge carried with it an irremediable perspectivism, which no supreme overseer could overcome. The epistemological framework of Lippmann's ideas had started to move from a *bona fide* progressive pragmatism to a more cautious and skeptical individualism.

In search of a free collectivism

Right after Roosevelt's first election to office in 1932, Lippmann had supported "dictatorial powers" for the President as a way to defeat the parochialism of Congress: political expediency commanded a strong executive mandate, one which could resist coalesced interests. Having supported elite expertise and technical bureaucracy at the service of the masses in the 1920s, Lippmann embraced Roosevelt's New Deal and began to publicly support its policies. It also reflected his recent conversion to Keynesian economics: his faith, once placed on the shoulders of enlightened journalists, was now turned, again, towards government officials. Democracy could only be saved from its excesses by a disinterested elite immune to public pressure (Steel 1999, 308). Yet, Lippmann remained ideologically uncommitted to the New Deal: he placed more emphasis on method than on doctrines, and perceived a close connection between non-partisan politics and intellectual freedom (Riccio 1994, 105). The rise of European totalitarianism, coupled with domestic radicalism, tainted his view of the New Deal and he began to stress the difference between recovery measures on the one hand, and, on the other, reforms of the social structure which endangered the institutional fabric of the state (Steel 1999, 315).

The Godkin Lectures, which Walter Lippmann delivered in Harvard in May 1934, and published in 1935 as the pamphlet *The Method of Freedom*, struck a reorientation from his preoccupations in the 1920s towards the development of a personal philosophy of macroeconomics. Inspired by the examples of the USA, the British Commonwealth, and the Scandinavian countries as a "pattern of

a new social policy," Lippmann wrote his lectures "in the conviction that freedom is finding incarnation in a new body of principles" (Lippmann 1934, ix). As I have shown, Lippmann's critique of 19th century *laissez-faire* as an economic dogma antedated his interest in the economic policies of the New Deal. He maintained a close friendship with Keynes and quoted him regularly in support of his positions (cf. Goodwin 2014, 48-55). Most pointedly, he addressed the same problem Rougier had identified: the confusion between economic science and economic *mystique*. Perfect competition represented no more than a utopian construction in "the imaginary world of classical economics."[36] The laws of *laissez-faire* were only a theoretical construct which was never present *tel quel* at any point in the 19th century. On the contrary, free competition had been the exception and piecemeal state intervention the rule: "it cannot be said, therefore, that the change through which we are passing is from *laissez-faire* to intervention by the state" (Lippmann 1934, 27). Since markets were no longer effective at coordinating the economy, and as a consequence of the rise of the unemployed masses, the state assumed a part in all aspects of economic life. For potential remedies, Lippmann opposed two forms of collectivism: an 'absolute' collectivism and a 'free' collectivism, the former dictating a 'directed' and 'centralized' economy and the other a 'compensated' economy.

However, Lippmann's criticism of a socialist economy did not originate with the preparation of these lectures. Hayek's influence on Lippmann reinforced, late at best, positions which were already firmly established. Already in 1933, he was familiar with the socialist calculation debate and pointed to the same epistemological argument which Hayek would vigorously expose in *Collectivist Economic Planning*. Quoting the American economist Benjamin Anderson,[37] Lippmann

[36] "Today and Tomorrow," *The New York Herald Tribune*, 22 June 1933; quoted in Goodwin (2014, 124).

[37] Benjamin Anderson (1886-1949) was an American economist influenced by Ludwig von Mises. Henry Hazlitt acknowledged him at having introduced him to the thought of the Austrian school.

clearly articulated that the state was in no position to intervene in the economy because "to regulate the business of a country as a whole, and to guide and control production there is required *a central brain of such vast power that no human being can be expected to supply it.*" His criticism of the N.R.A. and of its microeconomic management laid bare his commitment to a macroeconomic regulation due to the state's limited knowledge of circumstances of time and place:

> "N.R.A. tried to stop the water from running through the sieve by plugging each hole in the sieve. This was and is beyond human power. [...] [N]o act of Congress could define just how each hole in the sieve was to be plugged. [...] For a central government the only effective method of general social control – the only constitutional method – is not to plug the individual holes in the sieve but to control the flow of the water."[38]

One of Lippmann's lasting intuitions, which he shared with Rougier, concerned the military origin and nature of collectivism. Born under the circumstances of war, collectivism in peace always retained the allure of military techniques. Like Polanyi, Lippmann alluded to the "military pattern" as "the basic pattern of any directed social order:" successful planning entailed the suppression of the freedom to choose (Lippmann 1934, 43). Against the necessary violence of collectivism existed a different method: "a method of social control which is not *laissez-faire*, which is not communism, which is not fascism, but the product of their own experience and their own genius; [...] the method of free collectivism." It served the dual objective of preserving the liberty of private transactions whilst keeping them in "a working equilibrium" so as to overcome the "disorders of capitalism" (*ibid.*, 46). To achieve this, the state would need to enforce "some kind of compensatory mechanism" (*ibid.*, 50) aimed at stabilization and balance.

[38] "Today and Tomorrow," *The New York Herald Tribune*, 27 February 1934; quoted in Goodwin (2014, 149; my emphasis).

In 1934, Lippmann's economic vision still owed much to Keynes (Goodwin 2014, 136) and entailed that vast powers be conferred to the state if "a working, moving equilibrium in the complex of private transactions" was to be achieved, as well as to maintain "a golden mean" (Lippmann 1934, 59). Thus Lippmann's 'method' of freedom reflected that of a mixed economy, a third way, where private initiative and public interventions complemented each other. Neither through *laissez-faire* nor a directed economy, Lippmann sought to protect what he perceived to be the legacy of liberalism while adapting it to the new requirements of democratic politics and Keynesian economics.

At that moment, neither the word "collectivism," nor the fact that there existed a collective responsibility to come out of the crisis seemed taboo. Human psychology remained the weakest link for full-scale economic intervention, whilst macroeconomic regulation provided a way to circumvent this issue. The complex nature of human behavior had destabilized the classic assumptions held by economists, and the advent of mass movements had shown the absurdity of conceiving the economic agent simply as rational and self-interested. Moreover, the main problem which Lippmann identified in 1934, and which would remain at the forefront of his preoccupations for the rest of the decade was the influence of "organized interests" (*ibid.*, 76) and how to insulate the political system from active minorities.[39] Significantly, in 1934, the foundations of freedom lay with private property and a strong executive—not a lawful order—, as well as the enlargement of a middle-class prone to resisting the encroachment of the state.

[39] Lippmann wrote in one of his columns that: "If one organized minority can terrorize Congress into forcing an enormous expenditure upon the President who is charged with the preservation of the national credit and the management of the currency, then other organized minorities can imitate the example and follow the precedent. That way lies chaos and the destruction of liberty. That way we must not go." "Today and Tomorrow," *The New York Herald Tribune*, 3 March 1934; quoted in Goodwin (2014, 154).

Lippmann's growing frustration with the New Deal

Lippmann's orientation during the New Deal, like many progressives, was to preserve the flexibility of individual initiative found in capitalism, while restraining its obvious faults. In early 1935, Lippmann still considered Roosevelt's actions to be in line with a "regenerated liberalism" which he defined, like his "free collectivism," as "a new form of social control: one which is neither *laissez-faire* nor a planned or directed economy but is a method which calls for the use of power of the government to preserve private enterprise by regulating its abuses and balancing its deficiencies."[40] Lippmann's change of attitude towards the New Deal could be attributed to a darkening of the global situation during the 1930s, especially as some commentators in the USA, like in Britain, had begun to echo the success of Mussolini's methods in Italy. In July 1935, he worried that "an overpowering desire for the improvement of society leads to policies which put too great a strain on institutions" (quoted in Steel 1999, 315). Like Keynes, Lippmann did not approve of the *National Industrial Recovery Act*. When Roosevelt planned to court-pack the Supreme Court in 1936 after it had all but invalidated the NIRA,[41] a lot of his supporters were reserved about such a breach of the American constitutional order. Lippmann supported the independence of the Supreme Court as the "voice of reason" which "represents the people's own moral conviction that they must not act hastily or arbitrarily"[42] and he swiftly denounced the court-packing plan as a "bloodless *coup d'état* which strikes at the vital core of constitutional democracy."[43] The judiciary represented the cloak under which the other spheres were protected[44] while the administration was "proposing to create the necessary precedent, to establish the

[40] "Today and Tomorrow," *The New York Herald Tribune*, 8 January 1935; quoted in Goodwin (2014, 226-7).

[41] Notably on "Black Monday" (27 May 1935) and the unanimous ruling in *Schechter Poultry Corp. v. United States*, in which Justice Cardozo described Section 3 of the NIRA as "delegation run riot."

[42] "Today and Tomorrow," *The New York Herald Tribune*, 13 June 1935; quoted in Riccio (1994, 108).

[43] "Today and Tomorrow," *The New York Herald Tribune*, 9 February 1937; quoted in Riccio (1994, 111).

[44] From February 1937 to July 1937, Lippmann devoted 37 columns – half of his total – to Roosevelt's Court-packing plan.

political framework for, and to destroy the safeguards against, a dictator" (quoted in Steel 1999, 319).

Counteracting a radical trend within New Deal supporters for a larger collectivization of the economy, Lippmann advocated for a reformist version which attacked monopolies, private and public. He now warned his audience of the danger of applying the point of view of the engineer to social issues, emphasizing the epistemological limitations faced by any authority:

> "Society is not and never will be a machine that can be designed, can be assembled, can be operated by those who happen to sit in the seats of authority. To know this is to realize the ultimate limitations of government, and to abide by them, is to have that necessary humility which, though for the moment is at a discount in many parts of the globe, is nevertheless the beginning of wisdom."[45]

As opposed to *Drift and Mastery*, Lippmann made a point of separating science and technology, whereby the former became embodied in the scientific method and its results, and the latter connoted an illiberal "regimentation" of society. Thus, Lippmann was navigating a debate where his careful move away from a statist version of the New Deal did not necessarily make him a Roosevelt antagonist. Many of the policies advocated in the *Good Society* remained convergent with Roosevelt's measures and objectives (Audier 2012b, 78-82).

Nonetheless, Lippmann despaired at the slim ranks of leaders standing with him in defense of the liberal tradition against its dismantling in the name of progress. He thus turned his aim towards the restauration of a brand of liberalism which would be built upon the epistemological and scientific premises he had unraveled in the past two decades. In April 1936, Lippmann explained to Ellery Sedgwick that his new project actually contained two books in one: the first "a sustained

[45] "Today and Tomorrow," *The New York Herald Tribune*, 20 December 1935; quoted in Goodwin (2014, 229-30).

indictment of all the implications of the authoritarian and collective state," the second "a vindication and a reconstruction of liberalism."[46] The first chapters of the *Good Society* were serialized in the *Atlantic Monthly* from September 1936. Instead of a defense of measured collectivism as it can be found in the *Method of Freedom*, Lippmann now devoted his efforts to a rehabilitation of a well-understood liberalism, which "had become a monstrous negation raised up as a barrier against every generous instinct of mind" (Lippmann 1936: 257). The increasing power and control delegated to regulatory agencies, he warned, prefigured a general trend towards collectivism which engulfed liberals and progressives alike. On the slippery slope towards totalitarian planning, liberalism did not provide any foothold where capitalist democracy could rest.

In Lippmann's evolving ideas, I have retrieved scientific preoccupations common to all early neoliberals. Firstly, they shared the same confidence towards the scientific method as a guide to politics, on the condition that this scientific method was rightly understood. New disciplinary advances in psychology and physics provided the tools and analogies needed to reform the rationalism and dogmatism which dominated the uses and misuses of scientific authority within politics. Secondly, early neoliberals feared democracy's weakness to contain demagogy and illiberal ideologies. Their solution lay in a reinforcement of the executive branch at the expense of the legislative one in order to neutralize the special interests which were corrupting legislation and preying on the state's authority. Thirdly, Lippmann and other neoliberals committed to a third way between *laissez-faire* and socialism, doing so against the radicalization on either side of the political spectrum. This alternate path began by reconsidering the role of the state as the active enforcer of a liberal order and of liberal values. Finally, one way or another, early neoliberals all

[46] Letter Walter Lippmann to Ellery Sidgwick, 2 April 1936; quoted in Steel (1999, 322).

supported scientific views which placed epistemic limits on both individual understanding and social knowledge. This critical epistemology upheld a renewed appreciation for the spontaneous epistemic coordination achieved by the market and the division of labor.

PART 4. *THE GOOD SOCIETY* AND ITS IMPACT

Retrospectively, Walter Lippmann had little to do with the expansion of neoliberalism, and his foundational place in its formative years was tributary only to the timeliness of the publication of *The Good Society* in 1937. The book, much more than the man, had a profound impact. Rougier had been a careful reader of Lippmann's *Method of Freedom* and appreciated Lippmann's conceptual innovations on the role of the state, a "compensated economy" as well as the necessity for social protection. In addition, he consigned in a notebook a thorough analysis of the arguments in the *Good Society*, particularly its criticism of *laissez-faire*, the role of rules and laws, and the agenda of liberalism. (Audier 2012b, 97). Undoubtedly, Rougier profited from Lippmann's ideas concerning the role of the law and the functions of the state. Likewise for Hayek, his political philosophy, still rudimentary in the 1930s, benefited massively from his contact with Lippmann, and the *Good Society* would provide some of the groundwork for the development of Hayek's social theory in the following decades (Burgin 2012, 63).

Reciprocally, Lippmann himself acknowledged that the more critical tone found in *The Good Society* owed to his reading of Hayek's edited volume *Collective Economic Planning*, although he had already been acquainted with the Austrian view of the socialist calculation debate thanks to Benjamin Anderson. As the final proofs were being submitted, he credited Hayek and Mises for

having refined his views,[47] as well as Henry Simons with whom he had initiated a lively correspondence. That economic planning did not stand up to proper scientific inquiry was an argument that Lippmann had lifted directly from Mises and Hayek. Furthermore, he surmised that "to realize the promise of science," planners "must destroy free inquiry. To promote the truth, they must not let it be examined" (Lippmann 2005[1937], xliv). Likewise, Polanyi had started to glimpse at this radical step in his early articles, while Hayek would immediately profit from this moral argument as shown in the second version of "Freedom and the Economic System" published after he had read *The Good Society* (see chapter 2). The fact that the scientific process as a whole was put in jeopardy in a planned society, carried with it a much larger claim supporting the restauration of a liberal science, as it embodied the last hope for a world guided by the scientific method to endure. Lippmann admitted that he identified with a new generation of liberal thinkers who were ready to re-examine the liberal tradition as they had been "shaken out of their complacency by the debacle of liberalism" (*ibid.*, 240).

Without fundamentally revising his policy preferences, Lippmann considerably changed his vocabulary: "free collectivism" was not to reappear. His case against economic planning was now aimed at those aspects of the *New Deal* he could not condone, and his arguments became more feverish and Manichean. Yet, more subtle changes can be appreciated between *The Method of Freedom* and *The Good Society*, notably on the crucial question of equilibrium in economics, and the means to achieve it. Archetypal of early neoliberalism, Lippmann's skeptical outlook was used both as a critical spur against the scientism of a planned economy, and as a platform for the elaboration of a reformed liberalism which placed uncertainty and ignorance at the core of its

[47] Lippmann wrote to Hayek: "in a crude way, I had discerned the inherent difficulty of the planned economy, but without the help I have received from you and from Professor von Mises, I could never have developed the argument." Letter Walter Lippmann to Friedrich Hayek, 12 March 1937; quoted in Burgin (2012, 59).

social ontology. Like Rougier and Hayek, Lippmann lamented that what he called "liberal science" had been perverted under the patronage of narrow-minded godfathers. As a result, the two main themes which ran through Lippmann's book were identical to Rougier's opus: on the one hand, the critique of the old *laissez-faire* and the rehabilitation of a lawful order as the sound basis for liberalism; on the other hand, a critique of positivism and rationalism as the tools and guides of policy, with equilibrium and stability presented as delusional goals. Crucially, the virtues of markets were now extolled not solely as the space where individual initiatives took place, but also as epistemological devices which both limited the scope of scientific economics, and the potential value of state intervention.

An epistemology of uncertainty

While Lippmann's formative influence over the positive program of neoliberal thought is well-known (Audier 2012b; Jackson 2012a), his shifting epistemological positions remain underappreciated,[48] although they constitute, in their own right, the basis for his Agenda of Liberalism. For Lippmann, the question of the possibility of a social order outweighed the question of its desirability. A decision as to whether one order was "theoretically conceivable" and not "devoid of meaning," "as complete a delusion as perpetual motion" (Lippmann 2005[1937], xlvi-xlvii) constituted a scientific question. In Book I of *The Good Society*, Lippmann argued a very important case against the machinist and technological creed which buttressed the ideology of planning. Recent progress in technology (which he now opposed to science) had impelled a corresponding sophistication of political authority, and this impulse was more often than not translated as a call for increased direction (*ibid.*, 7-8). Nonetheless, the achievements of modern

[48] One exception is Riccio (1994, p. 122).

science and authoritarian political technology contradicted each other, because the extraordinary results of the scientific method had been achieved through a flexible and dynamic cooperation, and not through central direction. Thus, planning laws and regulations were "by their nature static and inert" as well as "technically unsuited to the highly dynamic character of the industrial revolution" while modern science and the scientific method commanded "a flexible approach to innovation and industry" (*ibid.*, 12, 16).

Here, the proximity between Lippmann and Polanyi is quite striking: both proposed a stark distinction between science and technology—or pure science and applied science. The organization and results of scientific inquiry and of technological application modelled two very different modes of political interventions: the former was liberal in nature, as exhibited in the methodical self-organization of science, and the latter authoritarian, fashioned as the application of social technologies to a passive material. The distinction they drew was as much ideological as it was epistemological. Collectivists, they both reflected, understanding their mission as the realization of the scientific project of a technology-driven society, had actually forgotten how science had been incepted and developed. The history of science in particular, possessed a critical importance because it revealed the liberal genes embedded in the development of science: "Had they [the collectivists] taken a longer view they would have questioned their basic premises, remembering that the scientific achievements which they now regard as compelling the establishment of authority became possible only as scientific inquiry was emancipated from authority" (*ibid.*, 17). Science, then, embodied the "method of freedom" whereas interventionism was "arresting the very advance in science which is the reason given for the magnified officialdom" (*ibid.*, 19-20). Liberalism embodied the method of science in the same way that science had built itself upon a methodological liberalism. The history of science, read through neoliberal glasses, revealed their common genealogy and circular interaction.

At the core of Lippmann's refutation of 'technological predictions' to serve as the strong arm of government, I find two familiar themes: the intrinsic limitations of individual knowledge and its reach, and the complexity of the social world, which lends it a measure of opacity. Although the two precepts work hand in hand in the neoliberal refutation of economic planning, they are analytically distinct. Let us take them in turn.

Owing to his pragmatic antecedents, Lippmann had, since his early publications, acknowledged that "the great difficulty in all complicated thinking" was "to understand that the concept is a rough instrument that stands in the place of adequate perception" (Kloppenberg 1986, 318). Lawmakers always displayed a "great disparity between the simplicity of their minds and the real complexity of any large society." Their actual knowledge had to be sieved through a "funnel" where most information was discarded and only what they could understand kept. This constituted "a very small part of the whole. And to understand even that small part, the lawmaker must turn to theories, summaries, analyses, principles and dogmas which reduce the raw enormous actuality of things to a condition where it is intelligible" (Lippmann 2005[1937], 29). By doing so, Lippmann was demolishing one crucial assumption of the scientific minds at the service of government: knowledge was always partial, never objective and neutral, because it is always subject to interpretation. Intelligibility was a process of simplification ("funneling") through various biases, filters and interests. The mind, far from expansive and unlimited, remained irremediably confined.[49] Once the intrinsic limitations of thought were established, the idea of a conscious control over social processes was revealed as a delusion:[50]

[49] Lippmann writes: "Out of the infinite intricacy of the real world, the intelligence must cut patterns abstract, isolated, and artificially simplified. Only about these partial can men think. Only in their light can men act. To the data of social experience the mind is like a lantern which casts dim circles of light spasmodically upon somewhat familiar patches of ground in an unexplored wilderness" (Lippmann 2005[1937], 31).

[50] Here as well, the idea was already present in earlier writings of Lippmann. In *Drift and Mastery*, he wrote that: "The world is so complex that no official government can be devised to deal with it, and men have had to organize

> "No human mind has ever understood the whole scheme of society, at best a mind can understand its own version of this scheme, something much thinner, which bears to reality some such relations as a silhouette to a man. Thus policies deal with abstractions, and it is only with abstracted aspects of the social order that governments have to do" (Lippmann 2005[1937], 31-32).

This cognitive limitation was in fact a requirement for life to proceed, for "life goes on only because most of its processes are habitual, customary, and unconscious. [...] It is only because men can take so much for granted that they can inquire into and experiment with a few things" (*ibid.*, 29-30).[51] In many ways, Lippmann anticipated Hayek's writings on psychology of the 1940s and 1950s. He offered an evolutionary approach to cognitive development in relation with the limitation of individual knowledge, while reasserting a perspectivist stance on human affairs. What distinguished *The Good Society* from the earlier *Public Opinion* and especially *The Phantom Public* was that the ignorance which Lippmann had first ascribed to the masses was as present in the rulers as in the ruled. In this way, *The Good Society* "can justly be seen as a wider application and development of Lippmann's central message in the early 1920s" (Riccio 1994, 122).

For Lippmann, the historical phenomenon of the division of labor had produced a cognitive economy which remained invisible to individual agents. On that peculiar insight—that social knowledge is tacitly embedded in traditions and customs, and that our consciousness is helplessly limited—Lippmann is situated at a convergent point with Hayek, Polanyi, and Rougier. They all pinned the complexity of the social upon the inexplicit canvas onto which our daily interactions, habits and practices were woven. The obscurity of both the individual and social psyche veiled a wealth of knowledge, one which the market artfully and efficiently coordinated, but one, as well,

associations of all kinds in order to create some order in the world. They will develop more of them, I believe, for these voluntary groupings based on common interests are the only way yet proposed by which a complicated society can be governed" (Lippmann 1914, 162).

[51] Whitehead is quoted again here to support this assumption; the same Whitehead which Hayek would himself quote, on that very same topic, at the beginning of the second chapter of the *Constitution of Liberty* (2011, 71).

that inspired simplifications and misbeliefs. Complete planning, by bringing all the economic processes to the fore, failed to acknowledge the cognitive economy brought naturally by the division of labor. The social world, perpetually in flux, "transcended" our power and understanding, and men deceived themselves "when they imagine that they take charge of the social order" (Lippmann 2005[1937], 32). This insistence over the divided forces at work in society, and our limited knowledge thereof, versus the potential equilibrium point which Lippmann had emphasized in *Method of Freedom*, represents an important shift in his epistemological perspective. Looking for stability at all costs only led to immobility through over-intervention: interferences and control became, at best, "interpositions and interruptions" of a much larger process which was inaccessible as a whole to a human consciousness.[52] The amount of "mutually dependent variables" made predictive calculations infinite and in the end futile; unintended consequences were always perverting simple previsions. In the end, the opacity of society to our scientific probes had simply become overwhelming:

> "It is not merely that we do not have to-day enough factual knowledge of the social order, enough statistics, censuses, reports. The difficulty is deeper than that. We do not possess the indispensable logical equipment—the knowledge of the grammar and the syntax of society as a whole—to understand the data available or to know what other data to look for" (Lippmann 2005[1937], 33).

Therefore, no science of society could form the basis for its conscious control. Worse still, the search for such a formula had diverted men from the proper task of government. Consequently, complex affairs had to be ruled by simple uniform laws and their management delegated to local nodes of government. The common law, like the market, was the only *method* suitable for the achievement of a liberal direction, as it remedied the "sickness" of an "over-governed society" and

[52] "When the collectivist abolishes the market place, all he really does is to locate it in the brains of his planning board" explained Lippmann (2005[1937], 175).

ensured a variety of ends with less direct control. Whereas the market represented the irreplaceable allocator of capital and labor, liberalism through law embodied a safeguard for pluralism in an interdependent world. The cognitive and economic problem posed by the division of labor could not be solved in the absence of the data transiting through the marketplace. In the end, the issue with liberalism was not its economic model but its social theory: its inability to include the social consequences of economic exchanges within its purview.

Concluding his epistemological remarks, Lippmann noted that a great schism had separated us from the wisdom of the past: in the older faith, he remarked, the limitation of powers, far from restricting man's capacity to govern himself, had been the "very condition of progress" (Lippmann 2005[1937], 40). It was this "tested wisdom"—verified by experience and not deduced by doctrine—which Lippmann exposed in the rest of the book, leveraging his revised epistemological framework against collectivism and in defense of a methodologically-sound positive liberalism. In doing so, he came to oppose the vision of Plato[53] to that of *The Good Society*: "At last," proclaimed Lippmann, "the vision of Plato is to be realized: reason will be crowned and the sovereign will be rational. The philosophers are to be kings; that is to say, the prime ministers and their parliaments, the dictators and their commissars, are to follow the *engineers, biologists, and economists* who will arrange the scheme of things" (Lippmann 2005[1937], 22; my emphasis). The three categories which Lippmann put in charge of the new order were, without much exception, the same group against which Polanyi, Popper, and Hayek, were wresting their efforts in the United Kingdom. For each of them, their new-found belief in scientific politics through an extension of government

[53] Along with this methodological refutation, Lippmann used the same 'anti-historicist' argument as Popper's *Poverty of Historicism*. Technological development was unpredictable, and its future course impossible to plan. This made a centrally planned economy reliant on a false illusion of control. "The future technology," Lippmann wrote, "cannot be predicted, organized and administered, and it is therefore in the highest degree unlikely that an elaborately organized and highly centralized economy can adapt itself successfully to the intensely dynamic character of the new technology" (Lippmann 2005[1937], 16). The refutation of Plato's politics constituted the first part of Popper's *The Open Society and Its Enemies* published in 1945.

power betrayed their ignorance of the epistemological complexity of the social order and of the resulting unintended consequences of their interventions. For early neoliberals, their hubristic conception of science had precipitated the world into chaos, not order

The dismal science of liberalism

If Lippmann had lifted his refutation of economic calculation in a planned economy from the Austrians, he took the further step of showing that collectivism was a danger to democracy itself, since the plan had to be kept out of the purview of perpetual revisions through popular sovereignty (Lippmann 2005[1937], 101-103). In Lippmann's mind, liberalism and collectivism reflected a larger struggle between monism and pluralism as opposite social ontologies. The transition to a monist view of society with the state at its helm required that the inherent "variety and competition" within society be regarded as "evil" and the right to dissent eventually abolished. Directly quoting Polanyi – an "exceptionally gifted observer," Lippmann reminded his readers that none of the supposed defects of the capitalist order had subsided in the realization of Communism: "the social situation and the psychological mechanism which exist to-day, and which according to communist theory divide society into antagonistic classes, remain intact in the communist order" (*ibid.*, 78, 83). The worship of the State turned out to be a surrogate for older idols now "dissolved under the acids of modernity" (*ibid.*, 250).[54]

Against this nationalistically-driven protectionism, Lippmann glorified 19th century liberalism as a period of political emancipation and unification concurrent with the expansion of free trade.

[54] This turn of phrase is not without reminding the reader of Marx and Engels' famous passage in *The Communist Manifesto*: "All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real conditions of life, and his relations with his kind."

Lippmann's revisionist take on the history of liberalism also modeled the way in which neoliberals would reclaim the liberal tradition expurgated from its most progressive (or "collectivist") elements. Lippmann's history roughly divided itself in two periods: until 1870, liberalism had been the philosophy of economic and social progress; after this date, liberals began fighting a "losing rear-guard action" (Lippmann 2005[1937], 46). The 19th century was also the period of the "most revolutionary experience in recorded history" (*ibid.*, 162), that is the Industrial Revolution and the exponential division of labor it incurred. In Lippmann's history, the Industrial Revolution and its consequences marked a turning point for liberalism which had been the intellectual engine behind its propagation. Breaking up traditional dependencies, this period led to a collective reaction in which the new-found interdependency and prosperity was offset by a growing insecurity—a description akin to a large extent to Karl Polanyi's 'double movement'.[55] The price mechanism was a "ruthless sovereign" which commanded a pace of adaptation too fast for the traditional fabric of human communities. The rise in production, and an increasingly specialized economy, were thus inseparable from the resistance and rebellion they brought about. As a result, the human cost of market variation entrenched the collectivist reaction and, with it, the failure of classical liberalism to embrace a broader view of the relation between economy and society. Lippmann held the "specifically interested groups," either from capital or labor, responsible for the paralysis of liberalism. Since 1870, these coalized interests had been promoting new rules and regulations, thereby sheltering them from competition and thwarting the generality of law. This "perpetual creation of new rights" had become the main impediment to economic growth, and led to the belief

[55] A proximity which Karl Polanyi himself explicitly acknowledged: "Liberal writers like Spencer and Sumner, Mises and Lippmann offer an account of the double movement substantially similar to our own, but they put an entirely different interpretation on it. While in our view the concept of a self-regulating market was utopian, and its progress was stopped by the realistic self-protection of society, in their view all protectionism was a mistake due to impatience, greed, and short-sightedness, but for which the market would have resolved its difficulties. The question as to which of these two views is correct is perhaps the most important problem of recent social history, involving as it does no less than a decision on the claim of economic liberalism to be the basic organizing principle in society" (K. Polanyi 2001, 148).

in the government's omnipotence: "if some can be enriched by the state, then all might be enriched by it" (*ibid.*, 128). The descent into collectivism had not been a sudden revolution, but a gradual accumulation of reforms tending to the satisfaction of particular interests.

For that reason, the debacle of liberalism was its own doing: it had become stultified and doctrinaire. It had betrayed its scientific underpinnings to become only an ideology, one which had become "scientifically untenable" and which "cannot commend the intellectual respect or to satisfy the moral conscience of the leaders of thought." Intellectuals and popular opinion had turned away from liberalism as a critical posture because the doctrine of *laissez-faire* had fallen into an "obscurantist and pedantic dogma" (*ibid.*, 184-185), separating what fell under the law and what did not into water-tight spheres. Reconstructing liberalism thus commanded to put its underlying philosophy back on its feet. What had ultimately led to the defeat of liberalism on the public stage was the abandonment of its scientific attitude, leaving it to collectivists to claim the mantle of science. "The preoccupation of the latter-day liberals with the problem of *laissez-faire* is a case *of the frustration of science by a false problem*," established Lippmann (*ibid.*, 191; my emphasis). In order to regain the scientific high ground, a thorough critique of an older liberalism had to be realized, and to some extent, many of the collectivist critiques of the old order implicitly accepted.

The "dismal science" (*ibid.*, 195) of liberalism, as Lippmann called it, had accepted as evident truths what were indeed intellectual errors and naturalistic fallacies. Rougier as well had been adamant that false problems, stemming from a deficient epistemological understanding of social order, had thwarted the liberal doctrine. The theory of liberalism had lost contact with *experience*: it had constructed a "hypothetical" economy and a "hypothetical social order," relying on assumptions hypostatized as principles such as perfect knowledge, perfect competition, and perfect mobility of capital and labor (*ibid.*, 200). As per the existence of natural laws of society, Lippmann reminded his readers the crucial lesson that "no laws could be deduced from what William James once called

the "blooming buzzing confusion of the real world"" (*ibid.*, 198). Liberal political economy had thus taken a leap of faith in its adoption of a *metaphysical* hypothesis about the natural world, building an ideal picture of social interactions which was ever more remote from their evolving manifestations. "This error," Lippmann concluded, "sterilized the *scientific advance of liberal thought*, paralyzed the practical energies of liberal statesmen, and destroyed the prestige of liberalism" (*ibid.*, 202; my emphasis). The historical liberalism of Sumner and Spencer carried a disastrous track-record on social issues, and could not claim neither a moral nor a scientific high ground. As a result, Lippmann handed down a severe diagnostic of the scientific faults of liberalism, which he believed were directly responsible for the economic and social dead-end of the 1930s and the human cost associated with it.

Despite widely different backgrounds, every early neoliberal identified the debacle of liberalism as the result of an intellectual oversight, not that of internal contradictions. Liberalism had become "frozen in its own errors" instead of embodying "the logic of the social readjustment required by the industrial revolution" (*ibid.*, 203, 225). The "metaphysics of *laissez-faire*" had to be abandoned, as it had "shut off the minds of the liberals" from "the crying need for reform." It had involved an "oblivion of the social" (Audier 2012b, 84) and a denial of the suffering of millions due to the dogmatic application of orthodox economic remedies. It was the moral duty of political liberalism to try and close the gap between autonomous economic progress and its dependent social reforms, which was something New Liberals also held to be the mission of liberalism. In that regard, the early neoliberalism of the 1930s was not that philosophically distant from its reformist critiques.

More than anything, it was the collectivist and planning fever among former moderate progressives in the 1930s which set the stage for the neoliberal critique and reaction (Ciepley 2006). In that context, Lippmann wanted to isolate an authentic "liberal science" from the false science of collectivism which was "morally right" but "founded in a profound misunderstanding of

the economy at the foundation of modern society" (Lippmann 2005[1937], 204). In so doing, Lippmann found that the liberals, who are "the inheritors of the science which truly interprets the progressive principle of the industrial revolution [...] have been unable to carry forward their science; they have not wrested from it a social philosophy which is humanly satisfactory" (*ibid.*, 204). Genuine liberals had neglected the core liberal principles of experience and adaptation, which the scientific method extolled: the slow empirical work of testing hypotheses, the constant revisability of rules, and the absence of *a priori* dogmas. Additionally, the ambition of a static or natural set of economic laws was incompatible with the scientific method. Instead, liberal science needed to revive its historic mission to work out a scientific understanding of the market economy, including the welfare of its economic agents. Finally, early neoliberals recognized that the division of labor and the institution of the market were upheld by an epistemological principle which defined the scope of state interventions. In essence, this constituted the sermon Lippmann served his audience at the Walter-Lippmann Colloquium: they were the new generation of liberals capable of updating the dialectic between the social question and the science of liberalism.

The Agenda of Liberalism

Lippmann's *The Good Society* is more often remembered for its influential articulation of an "Agenda of Liberalism" than for its epistemological critique. Often noticed is the importance that Lippmann gave to the rule of law as an organizing principle of society, of its political economy, and of its position as the bedrock of a liberalism which valued fairness and reform (Audier 2012b; Burgin 2012, Jackson 2012a). This articulation of the rule of law as the indispensable stalwart of liberalism greatly influenced Rougier's and Hayek's political meditations about the role of the state at that time. Hayek, in particular, had written "Freedom and the Economic System"—especially its second version published in the United States—as a rejoinder to Lippmann's arguments,

ostensibly borrowing from him both the moral value of law and the relationship between planning and the loss of political liberty (Jackson 2012a: 60ff). The precise directionality of one's influence over the other one, in the end, had little relevance for the formation of neoliberalism compared to their shared position on the need to restore liberal science to a firmer footing. This scientific preoccupation, which took an urgent turn in the shadow of totalitarianism, guides the common endeavor of these thinkers, not their economic ideas or political affiliations. Their shared "conceptual insecurity" drew them to look for a new epistemology whereby their normative agency could be restored (Schulz-Forberg 2014, 18-21).

The positive remedies they prescribed to liberalism were of a similar nature: to break off the organized interests of capital and labor through rewriting the legal architecture of the economy. The twin pillars of Lippmann's agenda were law as the strong arm of reform, and markets as the organizing principle of the division of labor. Yet, nowhere for early neoliberals do markets self-organize: they need constant government intervention and regulation. Monopolies and "unearned incomes" need to be reined in, and social expenditures ensure that the productivity of the workforce continually improves through spending in health, education, insurance and public works. The pivot of Lippmann's agenda was law. Democracy, Lippmann reasserted, was self-government through law: "In a free society the state does not administer the affairs of men. It administers justice among men who conduct their own affairs" (Lippmann 2005[1937], 267). Law had accompanied the development of complex economies through its progressive refinement. Like *laissez-faire* however, it had been turned into a *metaphysical* realm where any "inquiry into the justice, the suitability, and the social convenience of laws was inhibited" because it had been "removed from the realm of scientific inquiry and rational debate" (*ibid.*, 244). Lippmann argued for a liberalism which revived its commitment to pragmatic legalism rather than a "dogmatic fundamentalism" which had placed legal rights on a metaphysical pedestal. Such was Lippmann's

critique of the *Lochner v. New York* decision where the Supreme Court had counterfeited a natural law to justify its economic views.[56] Against this "judicial activism," Lippmann lauded the common law as a historical recipient of past experiences, one which had organically grown in contact with social issues: it was both the yardstick of justice and the vehicle of change in a polity.

Crucially, laws were the only possible means of governing in a situation of cognitive limitation. Lippmann drew an important distinction between laws and commands: the common law was a *method* of adjudicating claims radically different from the *method* of expedient prerogatives. They both pointed towards opposite social ontologies and, as such, opposing ways of dealing with social change. One acknowledged the fluidity and complexity of rights and exchanges, while the other sought to fixate stable mechanisms of change in time. The definition of laws as general commands conformed with Lippmann's claim that the eye of the legislator could not reach down to the level of individual transactions. As a general framework, the Rule of Law allowed for maximum fairness in a situation of imperfect knowledge, as it sought only remedial action *a posteriori*. The Rule of Law corresponded to "impersonal rules binding of everyone" and embodied the "logic of liberalism:" the supremacy of law over the arbitrary power of men. In Lippmann's view, the State itself was better represented as a judicial entity, especially the representative chambers which worked analogously to a court of law: "The task of defining, adjudicating, enforcing, and revising the reciprocal rights and duties of individuals and corporations is the vocation of the representative state" (*ibid.*, 308). As a consequence, constitutionalism was the first barrier against

[56] A critique inspired by O. W. Holmes, Jr.'s famous dissent in the *Lochner v. New York* landmark case in 1905, whom Lippmann had met and held in high regard. In his dissent, Holmes wrote that: "This case is decided upon an economic theory which a large part of the country does not entertain. […] The Fourteenth Amendment does not enact Mr. Herbert Spencer's Social Statics. […] [A] constitution is not intended to embody a particular economic theory, whether of paternalism and the organic relation of the citizen to the State or of laissez faire (198 U.S. 45).

totalitarianism, which dispensed with the rule of law altogether and proceeded through direct commands.

It is only at the end of Lippmann's demonstration that one comes to understand that these arbitrary powers were never as damaging as when they affected the curiosity and genius of men. Lippmann's liberal hero was not Adam Smith or Sir Edward Coke, but Galileo, resisting the Church: "liberalism is the guardian principle of the good life. It stakes its hopes upon the human spirit released from and purged of all arbitrariness" (Lippmann 2005[1937], 355). Thus, Rougier, Lippmann and Polanyi advanced their brand of liberalism for precisely the same moral motives: to protect the dynamism of free curiosity to lead change in a complex society, as against the compulsory adoption of a planned order. Science and liberalism were first and foremost *methodical*, not a body of ideals and principles which commanded any authority. They guaranteed a well-ordered discovery of the unknown and guided society's adaptation to new economic and cultural forms. Early neoliberals all believed this posture defined the outlook of Western civilization and the circumstances of its progress. Reclaiming the mantle of science supported the larger claim of the moral superiority of liberalism to achieve a scientific order, one which embraced the new scientific spirit of uncertainty and empirical testing.

The reception of *The Good Society*

Lippmann's blend of epistemological skepticism with voluntary reformism opened the political case against collectivism, something which early neoliberals would pursue during the war until the publication of Hayek's *The Road of Serfdom* (Jackson 2012a: 59). The arguments of *The Good Society*, in its American context, were addressed mainly to people on the left of the New Dealers, those like Lewis Mumford, Stuart Chase, and Georges Soule, who favored an overhead planning

solution (Ciepley 2006, 156).[57] They were a minority on a large spectrum of intellectuals tugging at Roosevelt to go one way or another to address the lasting economic crisis. The recession of 1937 had all the factions lamenting that their solution hadn't been thoroughly applied. Yet, Lippmann was worried that more centralization was on its way, and his reading of the Austrians had convinced him that economic science had once and for all demonstrated the fallacy of economic planning. Among his readers, Lippmann's ambiguity about the programmatic propositions he offered muddled the substance of his social vision. No clear guidance was given as to the proper sphere of intervention. He appeared, in turns, staunchly opposed to any kind of intervention in his critique of collectivism, and open to a large redistribution of incomes and vigorous government action when praising the reformist imperatives of liberalism (Burgin 2012, 61-2).

For instance, Frank Knight was utterly unconvinced by the lack of analytical rigor of Lippmann's arguments: he lamented that no "scientific inquiry" as to the failures of *laissez-faire* was offered, while "the absence of any real argument on the question as to why a collectivist regime must be a despotism" (Knight 1938: 867) was perceived to be even more problematic. Knight pointed to the issue which Lippmann's legal liberalism made most glaring: that legislative control was distrusted and responsibility transferred to the courts and to administrative bodies. Far from being the instrument of a society operating on itself, Lippmann's model had swung the pendulum too far the other way, leaving "hardly any place for fundamental public and constitutional law" (Knight 1938: 870). Lippmann's refusal to accept gradations of planning lent a potent sense of urgency to his theses, which in turn "troubled those who did not share his manifest belief in the contemporary dangers of nuance" (Burgin 2012, 61).

[57] Ciepley, however, gets it wrong when he assesses that "the position that economic planning is a slippery slope to total social control by an omnipotent state" (Ciepley 2006, 156-7) originated with Hayek and Mises. Hayek acknowledged that the credit for this idea belonged entirely to Lippmann (cf. Best 2005, xxx-xxxi).

The tone of the book struck a much more negative note towards former progressive allies. Lippmann now warned that the collectivists were of the same breed as the totalitarians, and that there was nothing in the collectivist principle "which prevented it from slipping into a totalitarian state" (Lippmann 2005[1937], 52). Harold Laski, whose 1933 pamphlet *Democracy in Crisis* Lippmann criticized in the first of his 1936 *Atlantic Monthly* articles as an "illiberal program of reform," was particularly unimpressed with Lippmann's latest offering, most cogently because it armed his colleagues at the LSE with a "working political philosophy." Writing to the American jurist Felix Frankfurter, Laski lamented that Hayek, upon receiving a copy of the *Good Society* was "vouchsaying it as a great statement of the political case against socialism." The American progressive journalist Max Lerner wrote to Laski that while Robbins and Hayek had become Lippmann's "economic messiahs," he hadn't realized that "Robbins and Hayek had come to regard Lippmann as their political messiahs. What a perfect mutuality!" (quoted in Best 2005, xxx). Laski was prescient in acknowledging the importance of having such a public heavyweight behind the efforts of early neoliberals. Upon reading his articles in the *Atlantic Monthly*, Röpke, Hayek, and Robbins, had begun corresponding with Lippmann during the run-up to the publication of *Good Society* (Burgin 2012, 64-67). While Lippmann acknowledged to Hayek that he had been "deeply influenced" by his work, he remarked to Robbins that Mises and Hayek did not produce "a positive theory of liberalism which gives a method of social control consistent with the exchange economy."[58]

Hayek had read the articles in the *Atlantic Monthly* and found in them the "cardinal and new point" that "the inevitable restriction of intellectual freedom" represented "the main danger of collectivism." Fascism was the natural development of collectivism, they agreed. But Hayek

[58] Letter Walter Lippmann to Lionel Robbins, 24 March 1937; quoted in Best (2005, xxxi).

insisted that his main qualms with planners and collectivists had to do with their claims of scientificity:

> "the whole trend towards planning," Hayek wrote to Lippmann on April, 6th 1937, "is an effect of a misunderstanding of 'scientific' method and a result of an exuberance about the power of the last hundred years. If people would only understand that reason is not a given thing but a process, and that its progress that cannot be possibly planned" (quoted in Best 2005, xxx).

In the same letter, Hayek invited Lippmann to a closer cooperation between the small cluster of liberals who advocated a return to the "old" liberalism. Significantly, this exchange articulated the need for further organization to the elaboration of a consistent ideological effort, made possible by a common scientific and methodological outlook. Lippmann responded positively to Hayek's invitation for closer cooperation and direct contact among "genuine" liberals, and Hayek was quick to point the way forward to a journal "entirely devoted to the problems arising out of the rational construction of a 'Good Society'."[59] Around the time when *The Good Society* was written, Röpke wrote to Karl Brandt, Friedrich Hayek, and Lionel Robbins to laud the "convergence" between their views (Burgin 2012, 64). Röpke shared with his correspondents a growing feeling of isolation compounded by the sense that liberalism was out of touch with the population, and that its safeguard rested solely in the hands of a few scholars. Upon the publication of *The Good Society,* Röpke wrote directly to Lippmann that he had "given masterful expression to ideas which are in the minds of that all too small circle of thinking Liberals."[60] The correspondence between Hayek, Lippmann and Röpke which took place in 1937 consolidated their feeling of a shared intellectual platform onto which a defense of a revised liberalism could be mounted.[61] At the same time,

[59] Letter Friedrich Hayek to Walter Lippmann, 11 June 1937; quoted in Best (2005, xxxii).

[60] Letter Wilhelm Röpke to Walter Lippmann, 14 September 1937; quoted in Burgin (2012, 65).

[61] In their exchanges leading up to the WLC, Röpke wrote that he was eager to keep the discussion to a small group of interested persons. In a letter to Lippmann, he shared this vision for the intellectual enterprise: "some years ago, I launched the idea of assembling the dozen Enlightened Liberals in a solitary hotel high up in the Alps and to

Rougier had seized the opportunity of the publication of *The Good Society* to suggest a similar idea which he could immediately put into action: a small gathering of intellectuals inspired by Lippmann's Agenda.

PART 5: THE SOCIAL QUESTION AND THE WALTER-LIPPMANN COLLOQUIUM

The Walter-Lippmann Colloquium (WLC) was momentous because it gathered the different strands of early neoliberalism in one place. Despite significant differences in their analytical approaches, all of the early neoliberals were united in their effort to reject the common interpretation of the hitherto most severe crisis of the capitalist economy as proof of the failure of capitalism itself. However, they also regarded the world economic crisis as a wake-up call for the development of a new theoretical and ideological justification of a free market economy, which all of them agreed to be the most effective economic system despite the Great Depression. Therefore, they focused their efforts on a revision of liberal approaches to the state, now regarded as the key institution to achieving a working market economy. They acknowledged that classical liberal theory had underestimated the necessity for the state to take positive measures to enforce competition and adjust social institutions. Confronting totalitarianism and its mass persuasion and propaganda impelled early neoliberals to rethink the economic order first and foremost as a social order—whereby this "order" was not a result of natural evolution or selection, but rather a consequence of a coherent institutional design. The legitimacy of a liberal order, which translated

cross-fertilize their ideas for a week." Letter Wilhelm Röpke to Walter Lippmann, 14 September 1937; quoted in Burgin (2012, 67).

as its ability to respond to the masses' attraction towards totalitarian ideologies or other "political religions," depended on how it tackled the *social question*.

Voices from Germany: the ordoliberal impulse

The strengthened attention around the social question was in no small part the work of Wilhelm Röpke, Alexander Rüstow, and the German ordoliberals gathered in Freiburg. Whereas Walter Lippmann had proposed his agenda for liberalism as a way to redress the excesses of the New Deal, ordoliberals had canvassed a constitutional role for the state, framing economic activity within a lawful order. In their first manifesto "Unsere Aufgabe" (1936), ordoliberals led by Walter Eucken had condemned the separation between law and economy, as well as the marginalization of the men of science who defended objective truth. Whereas the Historical School had precipitated the transition towards an illiberal interventionism justified by spurious historical "laws" or "tendencies;" ordoliberals demanded an "economic constitution," by which they meant a political decision regarding the way economic life was structured (Audier 2012b, 419). Law was assigned an essential role in codifying competition as an ordering principle. The *Freiburg Schule* targeted the phenomenon of legalized cartels, which had exploded under the Weimar Republic, with the blessing of the state. Jurists Franz Böhm and Hans Grossmann-Dörth insisted that a strong legal code was needed to protect competition from organized groups instead of serving special interests (Nicholls 2000, 45). Through their study of ideal-typical forms of market economies, ordoliberals routinely differentiated state interventions which were compliant with a market order, from those which were not.

Ordoliberals distanced themselves most clearly from classical liberalism by tackling the social question. For them, the problem of mass unemployment and discontent was inextricably linked with the role of the state as the legal guardian of competitive order. Redistribution and

interventions were compatible with a liberal economy as long as the price mechanism remained untouched. Röpke in particular was keen to distance his brand of liberalism from a dogmatic *laissez-faire*: "I believe it to be a great mistake," he wrote in 1934, "that we are sinning against the spirit of liberalism by admitting that there are kinds of state intervention which are rational and useful, and I believe further that this is just the mistake which has discredited economic liberalism so much in these days" (quoted in Nicholls 2000, 93). This mode of "liberal interventionism" required that the state take active measures to establish a concrete system of competition, while at the same time, achieving comprehensive social integration.

Whereas the Freiburg ordoliberals focused their research on the legal framework of a competitive economy, Röpke and Rüstow developed a sociological approach which aimed to repair the historical neglect of the requirements for societal cohesion in liberal theory. In a bizarre mix of beliefs, inflexible competition was balanced with a conservative and pessimistic attitude towards modernity and progress, an outlook which was somewhat reminiscent of Oswald Spengler. In an article of 1937, Röpke warned that "the expansion of the economy must not lead to the perversion of genuine human values" and advocated a return to a decentralized, rural lifestyle (quoted in Nicholls 2000, 95-6). Central to both Röpke and Rüstow was an imperative to strengthen the capitalist social structure with the provision of sustained support for small and medium-size enterprises and family agriculture (Ptak 2009, 106). Although their conception of the strong state at the service of social integration could mirror socialist proposals, ordoliberals were utterly critical of the materialist conception of the working classes' position, thinking that socialism only contributed to a further deterioration of both national unity and a metaphysical sense of vital satisfaction.

Reorienting liberal social science

In advance of the Walter-Lippmann Colloquium, Röpke and Rüstow circulated to fellow participants a memorandum titled "A Note on the Urgent Necessity of Re-Orientation of Social Science" which depicted a bleak portrait of the capacity of the social sciences, and economic science in particular, to address the roots of the European crisis. Rejoining Lippmann and the rest of early neoliberals, they agreed that 19th century economic science had not only provided an overly economic description of social reality, but that it had perverted the course of social science itself, bounding it to methods of enquiry which could not deliver the comprehensive picture of the crisis which was desperately needed. A dual approach was thus required to restore the competitive order: a legal and institutional one where the strong state implemented the framework for competition; and a sociological one where the disintegrating effects of competition would be offset by a reinforcement of communitarian bonds. The fact that the economic order was *invisible* was a double-edged phenomenon: it allowed for the greatest production of material wealth, at the social cost of dissolving traditional attachments and values. It demanded that a stronger and more vivid social integration be achieved *outside* of the market, mainly through the satisfaction of the "vital" needs and aspirations of men.

Like other early neoliberals, Röpke and Rüstow were conscious that their proposal involved a rupture from traditional liberalism, one which "not only committed the error of ignoring the legal and institutional conditions of competition but also of overlooking its sociologically negative effect."[62] The first culprit was economic science itself. Because the social sciences focused on a "narrow economic conception," they had failed to reach "sufficient clarity" and developed "the promising methods of attack" needed to tackle the "deep-set structural changes" which affected

[62] Wilhelm Röpke and Alexander Rüstow, "A Note on the Urgent Necessity of Re-orientation of Social Science," MPS Papers, box 5, folder 10; p. 3 (hereafter quoted as Röpke and Rüstow, "Note on the Urgent Necessity"). This memorandum was never published.

European societies. Due to these methodological insufficiencies, the "traditional approach" of 19th century economic science was incapable of perceiving *society* as its "wider context" and organic framework, and see that the economic crisis was the symptom of a much more important social crisis. Economic science in particular, in its growing refinement, had become blind toward "the extra-economic contexts which constitute the *problem of reality*."[63] This chasm between theory and experience had left economic science bereft of any sure grip on the "structural disturbances" and "spiritual dissolution" which had been the cause of the economic crisis and social upheaval in the first place. In this framework, the question of the proletariat was not only an economic one, it was a sociological and existential one. The same way that Polanyi had noticed the "vivid forms of consciousness" which supplied purpose to economic life in the Soviet Union, Röpke and Rüstow regretted that the "sense and dignity of individual work" had been utterly lost in a capitalist world, where man had been "uprooted from all natural bonds to return to gloomy slums and to seek recreation in amusements as senseless, mechanical and devitalized as the work itself."[64]

To remedy the situation, Röpke and Rüstow imagined the formation of a scientific elite working independently from administrative oversight. These great minds would be detached from "institutionalized research" and "institutional machinery," and free to focus on the "laboratory of the mind." This would restore the prestige of social science instead of feeding its "inferiority complex" towards the natural sciences. Echoing Hayek and Rougier, Röpke and Rüstow indicted a misguided rationalism for the debilitation of the social sciences. They found that their tendency to imitate the methods of the natural sciences constituted a "hang-over of the hey-day of rationalism which must go overboard before new things can be accomplished."[65] The Olympian position which

[63] Röpke and Rüstow, "Note on the Urgent Necessity," p. 4 (my emphasis).
[64] Röpke and Rüstow, "Note on the Urgent Necessity," p. 3.
[65] Röpke and Rüstow, "Note on the Urgent Necessity," p. 11.

Rüstow and Röpke assigned to the social scientist as a detached polymath, echoed across the early neoliberal spectrum. Their vision of a scientist materially supported by institutions yet removed from any obligation mirrored Polanyi's elaboration of a model for liberal science. The stereotype of the German professor, free of administrative duties, appealed to them in the same way that Polanyi's experience as a scientist in Berlin had shaped his view of scientific practice.

On the other hand, their criticism of social science as data-driven and overly rationalistic resembled similar arguments from Hayek and Rougier. Like them, they thought that the increasing mathematization and formalization of economic science in the hopes of reaching increasingly accurate predictions was delusional and counter-productive. Finally, their diagnostic of the failures of economic science and the necessity to recast its methods and objects within the wider framework of its *social framework* was similar to Lippmann's. This coincidence of scientific preoccupations and critical dispositions towards the science of their day made early neoliberals reflect on the link between *epistemological regimes* and *political regimes.* The relation between the two, they agreed, depended on *institutional design*.

Convergence and divergence

The convergence between Röpke's and Rüstow's ideas, and the epistemological premises of early neoliberalism were much stronger than their divergences (Audier 2012a, 173ff; 2012b, 223ff). On the one hand, these thinkers drew a contrast between the unreality of theory set against the reality of the world. Economists had either retreated into formal economics based on unreal assumptions, or adopted the fatalism and relativism of the Historical School. This divorce of economic science from economic reality had confined its influence to academic circles only. It had lost the scientific credence which had ensured that its results were available as objective guides to economic policies. Reconstructing liberalism, for early neoliberals, entailed the restoration of the reciprocal

bond between science and rational policy, which totalitarianism threatened to annihilate by reducing science and scientists to ideological pawns. On the other hand, early neoliberals had to account for the superiority of an invisible economic order which made the visible disintegration of the social world all the more vivid. Economic science, they defended, provided a scope for knowledge and interventions which recognized that the complexity of economic exchanges could not be reduced to a series of equations. Therefore, neoliberal economic thinking became dominated by the problem of the conjunction of invisible processes with their visible, although unintended, consequences. Different sensibilities elaborated different solutions to achieve the required *chiaroscuro*: for some like Hayek, prices were the visible output of the invisible informational transactions occurring between individuals. Even though prices reflected a larger social reality than the state of the economy, they had little integrating traction. Polanyi, on the other hand, sought to promote education and tradition as a way to offset the popular resentment against economic changes. Finally, Lippmann acknowledged that the intricacy of the division of labor and our psychological filters made objective knowledge a pipe dream. In the end, early neoliberals all treaded a precarious path of safeguarding a methodologically-sound objective knowledge about processes they admitted were ultimately unknowable. Theirs was a science of limits and skeptical wisdom, which discarded the reality and relevance of scientific and economic models.

As many other commentators have noted (Audier 2013), the theoretical differences between Austrians and Germans remained considerable. Behind their common critique of collectivism and of the state of economic science lay different orientations as to the future of liberalism and its relationship with social theory. Most of the contention between early neoliberals lay in the divergent ideas of these two camps: one which believed social order owed mostly to the alignment of individual psyches, whereas the other believed it hinged on the satisfaction of communal needs.

On the one hand, the four thinkers introduced until now—Polanyi, Hayek, Rougier and Lippmann—all believed that proper education and propaganda were the surest ways to reverse the "intellectual error" which had pervaded liberal minds. They did not feel liberalism had mostly failed because of its principles, but because its tradition had been perverted, turning popular opinion against it. To regain its natural place, liberalism had to shed its dogmatic stances, learn from the scientific method, and adapt its discourse to the intellectuals of its day. This turnaround involved updating the epistemological software of the liberal doctrine considerably. On the other hand, Wilhelm Röpke and Alexander Rüstow presented the liberal default on the social question as a result of its poor sociological imagination. In their opinion, a liberal economic order demanded a strong regulatory framework to shelter competition from coalized interests while protecting cultural communities and social ties from the corroding effects of competition. The state had the difficult task of enforcing competition in the economy with the full force of the law, while safeguarding cultural habits and practices through interventions and incentives. In that vein, liberalism was not a stand-alone ideology, but had to be implemented in each country depending on its "vital" situation, which comprised anthropological and sociological considerations. The yardstick of success was less public opinion than social stability. For Hayek, Polanyi and Rougier, freedom was mainly a negative term, which allowed for positive expressions to take place. For the Germans however, freedom was immediately substantive and referred to the satisfaction of vital needs. As such, ordoliberals were a lot more deterministic in their analysis of the cognitive position of each class. The neoliberal sociology of knowledge, crafted around the diffusion of ideas aimed at influencing public opinion, never seemed to appeal to them as an effective program for the return of liberalism. Despite their important contribution to the inception of early neoliberalism,

this sociological liberalism stood closer to a conservative epistemology, in which economic competition was balanced against the need for social cohesion.[66]

The Walter-Lippmann Colloquium

One month before the opening of the WLC in August 1938, Rougier wrote a short book review in *La Revue de Paris* where he promoted the recent publication of the French translations of Mises's *Socialism*, Lippmann's *The Good Society*, and his own *Les Mystiques économiques* in his edited collection at the *Librairie de Médicis*. If Mises provided the "diagnostic," Lippmann proved the most "therapeutic" to the ills of his time (Rougier 1938b: 710): one wrote the "most relevant criticism of socialism," the other "the most enthusiastic rehabilitation of liberalism" one could find (1938b: 712).[67] To be fair to Rougier, one would have to talk of the Lippmann-Rougier colloquium (Audier 2012b, 96) because Rougier was both the instigator and main animator of the event. As I have argued, he was also one of its leading intellectual exponents, weaving together the philosophy of science, ideological crusading, and organizational entrepreneurship.

In many ways, the WLC's main accomplishment was that it happened. Bringing together the different islands of liberal thought scattered around Europe, it highlighted the various strands of early neoliberalism, and gathered them under a larger unity of purpose. In his foreword to the French publication of the Colloquium's proceedings, Rougier underlined that the Colloque was less an achievement than a stepping stone, calling it "a non-predefined harmony, a non-concerted

[66] The tension between this sociological orientation as the true "neoliberalism" and competing definitions from Hayek would be an important factor in the disintegration of the Mont-Pèlerin Society. Nevertheless, Röpke would gain a certain appreciation within American neo-conservatism, his *oeuvre* announcing the possibility of "fusioning" conservative themes with free-market ideas (Cf. Burgin 2012, 137-140).

[67] Participants to the WLC had for only instruction to have read Lippmann's *The Good Society* and Mises' *Socialism* as well as "la fin du libéralisme" of Auguste Detoeuf and Marcel van Zeeland's *Révision des valeurs* (Denord 2006, 118).

concert" wherein the appellation of "neoliberalism" prevailed over other denominations. Although many commentators have made of the WLC the birthplace of neoliberalism, a lesser number was keen to acknowledge that deep tensions and contradictions ran between the participants, as they honed *together* a concerted agenda for liberalism.

In the following sections, I will provide an overview of the debates regarding the role of the state as an answer to both the danger of collectivism and the failures of liberalism, and, separately, a closer analysis of the psychological and sociological dimensions which were thought lacking in what Lippmann had called the 'liberal science' – or to be more exact – the science of liberalism. I will argue that despite their agreement that the "social question" needed to be taken into account one way or another, those who viewed liberalism's main defects as psychological would come to have a different understanding than those who viewed it as sociological. Before that, it is fruitful to look at the institutional environment in which early neoliberalism came to be consolidated. Indeed, their scientific heterodoxy attracted international organizations looking for fresh answers in times of crisis.

Institutional sponsors: The IIIC and the Rockefeller Foundation

The Colloquium was convened at the International Institute for Intellectual Cooperation (IIIC), located on 2 rue Montpensier, in one of the wings of the Palais-Royal in Paris. As the intellectual and scientific arm of the League of Nations, and a precursor of UNESCO, the IIIC represented a part of the much larger interwar effort to organize intellectual organization among League members in order to rethink the parameters of international order (Laqua 2011). Therefore, the development of early neoliberalism cannot be comprehended outside of its inscription within these larger networks of cooperation which fostered the development of international expertise as a response to the unprecedented global crisis. The IIIC had become a major organizer of international

workshops and conferences, as the Rockefeller Foundation stepped in as an important donor in line with its avowed objective of "promoting international understanding" starting from the early 1930s. For example, it had supported Rougier's major conference of 1935 devoted to scientific philosophy. Both Johan Huizinga and William Rappard were sitting at the board of the International Committee for Intellectual Cooperation (ICIC) at that time, while John Bell Condliffe was an influential figure within the IIIC providing regular reports on economic questions to the League of Nations. Huizinga, Rappard, and Condliffe were all invited to the WLC with the addition of José Castillejo, long-standing member of the ICIC's Executive Committee.

The development of a new science of international relations mirrored the imperative for international cooperation upon which the League was built (Riemens 2011). The agenda of early neoliberalism had been developed in dialogue with a large transnational effort undertaken by the International Committee for Intellectual Cooperation (ICIC), which itself guided the IIIC as its operational unit in Paris. Outside of its Parisian outpost, the ICIC organized international conferences and workshops where the discussions ranged from the economic crisis to international security. This network of economists, scholars and intellectuals met and discussed the opportunities and defaults of market mechanisms for a future global order at several important occasions, for example in Milan (1932), in London (1933), in Prague (1938), and in Bergen (1939) (Schulz-Forberg 2014, 14). The programs of the ICIC and the IIIC represented an ambitious effort that aimed at finding recipes for a new global order, whilst remaining open to the new political forms of fascism, corporatism or planning. Early neoliberals profited from these networks which promoted a scientific approach to international issues in order to guide international order towards peace and cooperation. As economists and scientists, a majority of them participated in League-sanctioned conferences and activities in which they could test hypothesis, meet similarly inclined scholars, and secure lucrative positions and contracts which allowed them to pursue their

work. This nurturing environment accounts for the possibility for early neoliberal ideas to circulate and gain legitimacy on the European stage, without being rooted in strong national traditions.

During the Interwar period, the Rockefeller Foundation led by Beardsley Ruml (1922-1929) and Edmund E. Day (1929-1937) developed into one of the major institutional funders for the social sciences, first among them economic science: "Between 1929 and 1934 appropriations of nearly $18,000,000 were made in the social sciences, a substantial portion of which went in support of research in economics" (Craver 1986: 214). Its fellowship program allowed many European economists to acquaint themselves with American universities and research, and build stronger professional networks. Among early neoliberals, Gottfried Haberler distinguished himself in Harvard, Friedrich Hayek visited Columbia, Louis Rougier was sent on a mission to Eastern Europe; Robert Marjolin, Fritz Machlup, and Ludwig von Mises, among others, also benefitted from this very wide program. Under Ruml's leadership in the 1920s, the Foundation supported innovative and multidisciplinary centres for research inclined to follow empirical and statistical methods. The London School of Economics and Geneva's IUHEI (as well as Stockholm and Copenhagen Universities) were among the largest recipients of Rockefeller funds, allowing them to develop new programs and disciplines, recruit faculty, and enable the construction of new buildings and libraries for the social sciences.[68]

Following the appointment of Edmund E. Day in 1929 as the head of the division for social sciences, the Paris office of the Foundation led by John Van Sickle (replaced by Tracy B. Kittredge in 1934) played a major role in supporting the development of empirical and statistical methods as well as

[68] In the United States, the Rockefeller Foundation also provided 70% of the budget of the NBER (National Bureau of Economic Research) in the 1930s.

multidisciplinary and innovative programs which aimed at tackling the causes of the economic crisis. Moving away from block-grants to schools and universities, it increasingly funded specific programs which could deliver more tangible results. In response to the Great Depression, the Foundation aimed at finding the causes of cyclical fluctuations and devised a program in "economic stabilization." The Viennese *Institut für Konjonkturforschung*, created by Ludwig von Mises in 1929 and directed by Friedrich Hayek until his departure for London, was the model for many similar institutes established in European countries to be set up through Rockefeller grants (Craver 1986). In France, the *Institut scientifique de recherches économiques et sociales,* founded by Charles Rist in 1933, was fully funded by Rockefeller, receiving $350,000 from 1933 to 1940 (Tournès 2006). Rist was the most influential French economist of the interwar period and the mentor of a young generation of French economists whose network around the think tank *X-Crise* (Jacques Rueff, Auguste Detoeuf, Ernest Mercier) and the review *Les nouveaux cahiers* would be key in supporting the establishment of the *Centre International d'Études pour la Rénovation du Libéralisme* (CIERL) after the Walter-Lippmann Colloquium, with Jacques Rueff as its leading figure. Among important early neoliberals, the Foundation funded Michael Polanyi's chemistry laboratory when he moved to Manchester, and contributed to the realization of his economic film. Hayek unsuccessfully applied multiple times for a project to establish a liberal-oriented school in Vienna.

Furthermore, Tracy Kittredge, the Foundation's European Social Science Division officer in Paris until 1942, was invited to attend the Walter-Lippmann Colloquium as well as the three advisors responsible for recommending fellows to the Foundation: Johan Huizinga, Charles Rist and Luigi Einaudi, the latter two becoming members of the Mont-Pèlerin Society in 1947 (Denord 2006, 112). Before winding down its social science division during the war, Rockefeller provided generous aides and grants to scholars in precarious positions, becoming "one of the principal organisations active in aiding refugee scholars" (Craver 1986: 218). From these contextual

indications, it is clear that the WLC concretized the close ties entertained by many of the early neoliberals with the Rockefeller Foundation. Their support for scientific institutions during these two decades gave credibility to the work of the economists working on business cycles, and fostered the circulation of data and expertise across borders thanks to the biannual conference of these newly-created 'Institutes for Economic Conjuncture'. The interwar years represented a period of international consolidation for the field of economic science; in this growing network, early neoliberals were well-positioned and integrated (Solchany 2015, 72-3).

Tuning the social question with the role of the state

The publication of Lippmann's book was merely the pretext for an idea which had been circulating for some time among the early neoliberals. The objectives of the meeting were clearly posed by Rougier in his opening statement. Out of the three merits he found in Lippmann's book, the first two worked hand in hand: the struggle against collectivism, and the criticism of liberalism *qua laissez-faire*. During the Colloquium, these two themes would become fused into one: the limits of state intervention within the framework of the price mechanism. The third merit Rougier found in Lippmann's book, on the other hand, did not concern the real economy but his description of the poor state of the science of liberalism and the need to restore a true liberal science.

Lippmann's book militated for a reintegration of economic analysis within social and political parameters, accomplishing what Röpke and Rüstow had themselves underlined as the major scientific problem of economic science as a social science. Rougier, in his opening speech, attacked the "pure" economy and the scientism of economic science, which relied on "theoretical models" and "simplifying hypotheses" abstracted from a "confused and complex reality." Departing from the ideal-type of the *homo economicus*, economic science had to walk toward the "man made of flesh, of passion and of a blinkered mind who undergoes gregarious momentum, obeys mystical

beliefs and does not reckon with the consequences of his actions" (Audier 2012a, 416).[69] Liberalism, Rougier defended, had to rely on sociologically *and* psychologically sound premises, in addition to a revised economic understanding of the role of the state. Only then would it be able to accept the "world as it is" and study "how to improve it" (*ibidem.*).

Lippmann's *The Good Society* had characterized the state both as the legal guardian of the free economy, and the generous backer of the risks incurred by competition, guaranteeing public services and insurances through taxation (Audier 2012a, 485-486). The state was perceived as an instrument both of enforcement and compensation. One whole session was devoted to the social question, introduced by Rougier asking the audience: "Is liberalism cruel? Is liberalism able to fulfil the social demands of contemporary masses?" (Audier 2012a, 459). Among all the participants, a large range of positions could be found with no definite limits as to where the scope of state interventions might stop. Some like Louis Baudin and Louis Marlio wished for a strong "*politique d'accompagnement*" able to socially lubricate the economic changes induced by the market. With Walter Lippmann, they argued that the older liberalism had failed its social mission by privileging the creative destruction of capitalism without compensating the workers through a modicum of redistribution. Others, like Jacques Rueff, argued for a strict enforcement of the price mechanism, where only a vital minimum could be handed out by the state, as long as the wages were not directly affected or set (Audier 2012a, 459-461). The real problem, Rueff and Mises argued, was to establish the "modalities of intervention compatible with the price mechanism" since the latter provided the best possible compensatory system, disrupted only by state interventions (Audier 2012a, 493-494).

[69] Throughout my discussion of the Walter-Lippmann Colloquium, I use the verbatim of the proceedings published as part of Audier (2012a, 407-495). All the translations from the French are mine.

Through this debate, it was the general interpretation of the economic crisis which was at stake. Rueff, Hayek, and Mises embraced the diagnostic that the economic crisis had been caused by misguided state interventions, whose accumulation had perverted the price mechanism.[70] The liberal system itself was not to blame. In the penultimate session dedicated to Lippmann's Agenda of Liberalism, Röpke declared that liberalism needed to define some criteria on which to demarcate the regulation of economic spheres, while Condliffe agreed that a rule of thumb for the discrimination of detrimental state interventions must be agreed upon (*ibid.*, 488). Quite clearly, the limits and scope of the state were to be the main object on the agenda, both as a tool and as a way to carry a reformed liberalism. At the end of the Colloquium, Rougier announced that the next meeting under the auspices of the newly-founded CIERL would focus on the problem of state intervention, and the following one on the problems of a liberal state. These themes would mostly vanish from the post-war meetings. In the end, early neoliberal thinkers would devote very little of their time to pursuing this line of inquiry during the war, focusing instead on the third strand brought up by Rougier: the scientific deficiencies of liberalism.

The causes of the popular decline of liberalism: psychological or social?

As I have shown until now, the preoccupation with the fate of science in liberalism had been a shared concern, as was the analysis of the scientific failures of economic science for the provision of a reliable compass to liberal thought. From doctrine, it had fallen into a *mystique*, removed from "reality" or direct "experience" as Rougier, Lippmann, Röpke, or Rüstow had argued. Yet, it was far from obvious that this shared diagnostic entailed similar remedies. Philosophical differences, which could be eluded during discussions concerning concrete policies, were the most salient

[70] In his book on the Great Depression, Lionel Robbins as well had diagnosed that the chief factor which caused the downturn had been the perturbation of the price mechanism by state interventions (Robbins 1934).

when evaluating the validity of the liberal doctrine as an ideological vehicle: how to integrate the social question into liberal theory and thought depended on theoretical orientations which, as I will demonstrate, were largely irreconcilable.

The popular discontent with liberalism, Rüstow argued, stemmed from a psycho-social dissatisfaction with the economic system. Lifting arguments from the memorandum he had submitted with Röpke, he explained that the economic point of view remained inadequate, and that the true criteria of progress was whether or not the greatest number achieved a satisfactory vital situation (*ibid.*, 468). With veiled references to Aristotle,[71] Rüstow insisted that the economic sphere was one among many in which individuals sought to achieve their ends. Communities, which granted individuals a sense of purpose, unity, and hierarchy provided meaningful anchors to an otherwise senseless economic activity. In the past centuries, the capitalist market economy had produced social disintegration and atomization, where the social and spiritual domains had been dissolved. For Röpke and Rüstow, the laboring class had lost their sense of natural unity and craved social integration as a way to fulfil their "necessary vital satisfaction." Their position within the larger ensemble, and their vital conditions, directly affected their adhesion to a market economy: the main issue with the masses was their sociological position at the receiving end of the capitalist grinding machine. Liberalism, they concluded, suffered from a "deficiency of its sociological conceptions" (*ibid.*, 472). It could only be preserved if it acknowledged its dependence upon social conditions and virtues which guaranteed a sense of social unity The fiction of the *homo economicus* had eliminated from economic theory the spontaneous and irrational elements in men, and conceived of the vital and social integration of communities as impediments to the free market. If capitalism remained the best economic system in theory, in practice it demanded that the state

[71] Lippmann also admired Aristotle for two reasons: the social ontology of man as part of communities, and the middle classes as the great moderating influence in the good society.

step in to correct its atomizing effect, as well as to ensure that it did not fall prey to organized interests. The market economy, advanced Rüstow, relied "on very precise institutional conditions, created and maintained deliberately by men, and it can only function efficiently and without friction if a strong and independent state ensures the precise observance of these conditions" (*ibid.*, 470-471). The state was thus tasked with ensuring that economic processes did not negatively impact the fabric of society.

Rüstow's and Röpke's analysis did not convince all of the participants. Polanyi's main contention, one he had been elaborating since his travels to the U.S.S.R., was that the sociological outcomes of collectivism and totalitarianism were incomparably worse than those of liberal societies. The sense of unity and purpose found in Russia and Germany if anything demonstrated the success of intense propaganda at countervailing these centrifugal forces. The problem with liberalism was a psychological one, not a sociological one. The masses suffered from a lack of understanding of the principles which regulated economic activity and not, as Rüstow had just exposed, from a lack of social integration. They were short of the proper economic education which would allow them to "understand the mechanism of their vital condition" (*ibid.*, 472). For Polanyi, their feeble apprehension of economic principles had driven the masses to overthrow liberalism and to adopt a "passionate conviction" that economic life ought to be regulated by force. Civilization was thus threatened by this "mental derangement"[72] caused by a "permanent state of perplexity" over the unintended consequences of economic interventions. The issue with the invisible hand was precisely its *invisibility* which frustrated the agent's economic activity from its larger social and moral sense, an ethical void which a planned economy fulfilled (*ibid.*, 472-475). Only by tearing apart the opacity of economic cooperation through education could the market economy restore

[72] This formulation is very similar to Rougier's "*dérèglement des esprits*" found in Rougier (1938a).

in the economic agent a sense of larger purpose. A righting of the mind, not of society, was what liberalism needed. Condliffe largely agreed with Polanyi and thought it necessary "to make clear and understandable to the masses the social role of the system, that is to say how work contributes to the welfare of all" (*ibid.*, 479).

Replying to both points of view, Mises would have none of them. He and Hayek criticized both Rüstow for the romanticism of his "vital needs" and his vision of a fulfilled agrarian society, and Polanyi for believing that the Russians would be equally satisfied without the isolation and propaganda maintained by the Communist regime (*ibid.*, 477). This exchange led to Rüstow's dramatic declaration that within the circle of participants, there existed two irreconcilable points of view: one camp considered that there was "nothing essential to criticize or change" vis-à-vis the old liberalism, and that the responsibility of its demise rested with those who "by stupidity or malice, or a mix of both, cannot or will not realize and observe the salutary truths of liberalism." His camp, on the other hand, "look for the responsibility for the decline of liberalism in liberalism itself; and, in consequence, we look for a solution in a fundamental renewal of liberalism" (*ibid.*, 478-479). Targeting the other side, Rüstow declared that "we cannot simply convince the masses of the intellectual superiority of liberalism, the old liberalism has to renew itself. It has to take charge of the *onus reformandi*" (*ibid.*, 479).

Clearly, convincing the masses of the intellectual superiority of liberalism became precisely Hayek and Polanyi's project, whether through educational means or persistent propaganda. In his attempt to distinguish between an economic liberalism and a sociological liberalism, Rüstow revealed a line of dissension among neoliberals: between those who considered the masses' adhesion to liberalism a psychological/ideological problem, and those who thought to be mainly a sociological problem. Reintegrating the social question brought with it the difficult question of how to operate this integration. If the abandonment of liberalism was first and foremost an intellectual

error, then better education and propaganda seemed adequate answers. If the discontent with liberalism came from social atomization, then a wider program of social reform had to be implemented. These two positions were not mutually exclusive, but rested on a very different assessment of the relationship between theory and reality, notably whether liberalism was itself an ideology or not. Robert Marjolin perfectly captured the dilemma:

> "in the preceding discussions, we often contrasted liberalism as a rational view of the world, with ideologies conceived as expressions of feeling and passion. This way of seeing things seem to us completely false. Liberalism *does not justify itself rationally, any more than communism or fascism. Like them, it is an ideology.* The problem is to determine the conditions of appearance and survival of the liberal ideology, and to research whether this ideology was not necessarily fated to disappear" (Audier 2012a, 480; my emphasis).

Early neoliberalism had thus elicited one clear hypothesis: that liberalism, however right, valid, or successful, could not justify itself from the top down. The belief in the liberal system had to be elicited from the opinion of the masses. As Baudin concluded, what mattered was not the actual situation of the worker or the peasant, but their felt-situation; propaganda did much of the work of giving the individual a sentiment of satisfaction or not: "All men are Russians in that regard," he quipped maliciously (*ibid.*, 483). In consequence, the masses had to be educated and "moralized" for neoliberalism to function.

Besides the historical and theoretical debates, the WLC marked an important moment for two more reasons: it designed a research agenda[73] which was to guide an actual physical organization, and it created direct links between participants which would be decisive for the survival of a

[73] Reading the proceedings of the Walter-Lippmann Colloquium, one can appreciate the tension between divisions and unity which pervade any ideological movement. Louis Baudin, one of the participants, later remembered that: "Controversies threatened to go on and on when, on the last day, a few inspired members presented an agenda which summed up points upon which everyone could agree." Baudin, "le néo-libéralisme" *Revue des Deux Mondes*, 1er mars 1957, p. 48; quoted in Audier (2012b, 156).

common neoliberal "spirit" or "intent" during the war. For instance, Lippmann's comprehension of the active role of the rule of law had directly influenced Hayek and Rougier. Compared to the static or "natural" understanding of law in classical liberalism, the dynamism of what Rougier called "judicial interventionism" made this conception of the law similar to its scientific counterpart. In both cases, laws were understood as ground rules that allowed spontaneous and unpredictable movements to develop. These axioms were open to revision depending on experience, that is, according to the performance of the system it regulated.

Qualifying liberalism as an ideology entailed that it did not correspond to any rational or natural picture of the world. Its intellectual justification had to be found elsewhere. Confirming that liberalism was an ideology definitely did away with any claim at a superior naturality, leaving only a superior scientificity, which had to be explained to the laymen. Liberty was neither an ultimate goal, nor a supreme value, merely a method of social control as Lippmann was fond of saying.[74] The early neoliberals' quest to reclaim the mantle of science had led them to admit the conventional nature of their new liberal doctrine which, far from disqualifying it, made it consonant with their contemporary epistemological standards. This epistemological rupture called in turn for a sociology of knowledge which could rival sociological determinism, and work out ideological means to restore the pre-eminence of this liberal science.

[74] Polanyi also uses the exact same terminology in his 1941 essay "Growth of Thought in Society" (Polanyi 1941b).

CONCLUSION

Louis Marlio, who had endorsed a "social liberalism" (*libéralisme social*) at the WLC, became the first president of the CIERL. In a document dated March 15, 1939 with the title "*Le Néo-Libéralisme*," Marlio offered a first comprehensive statement of this new doctrine which had individually emerged in various publications, and collectively at the WLC. Marlio placed neoliberalism at an equal distance from the discarded Manchesterian *laissez-faire* and from the totalitarian states, motioning that the CIERL had a mission "to develop and promote this new trend of the economy, at the same time *liberal and social*, which holds itself voluntarily away from all political groupings."[75] From the WLC onwards, the term "neoliberal" was adopted and promoted by the participants who felt Lippmann's Agenda embodied the *onus reformandi* which Rougier had laid upon liberalism. In an undated and anonymous document defining the general orientation of the CIERL, one finds a clear demarcation of neoliberalism from *laissez-faire*, conservatism, and socialism:

> "The question of the legal framework best suited to the most supple, efficient and fair working of markets has been neglected by classical economists and will precisely be the object of the *Centre d'études*. Hence, to be a neoliberal, by no means implies one is a conservative, in the sense of maintaining *de facto* privileges resulting from past legislation. To the contrary, it is to be essentially progressive, in the sense of a perpetual adaptation of the legal order to scientific discoveries, to the progress of economic technique and organization, to the demands of today's conscience."[76]

[75] Louis Marlio, "Le Néo-Libéralisme," Archives Rougier, box R1 (my emphasis).

[76] Undated and unsigned document titled "Centre International d'Études pour la Rénovation du Libéralisme" (2 pages). Archives Rougier, box R1.

Similar words are found in Rougier's opening conference at the CIERL on March 8th, 1939 in which he propounded a refutation of the validity of planning.[77] The stipulation of the legal code, which Rougier, Hayek, and Röpke had compared to the Highway Code, constituted the "liberal method of social control," an expression Rougier owed to Lippmann's inspiration.

As a learned society and militant organization, the *Centre International d'Études pour la Rénovation du Libéralisme* (CIERL) purported to "research, determine, and disseminate how the fundamental principles of liberalism [...], contrary to the commands of planned economies, ensure the maximum level of satisfaction for the needs of men, and the necessary conditions for the equilibrium and durability of society" (quoted in Denord 2006, 122). However, unlike the future Mont-Pèlerin Society, the CIERL actively engaged in public activities and outreach, following the opinion expressed during the WLC debates that a wider adoption of liberalism relied on educating the public.[78] Public conferences and discussions were held at the Musée Social in Paris during the winter 1938-1939, some of them attracted union leaders and reformists. In a brochure exposing the aims of the CIERL, multiple colloquiums are announced, the first one in December 1938 led by Stefan Possony on war economy, and the second on the modes of interventions compatible with the price mechanism under the direction of Jacques Rueff. During that event, Rueff rejected that the idea that his liberalism was "anti-social" and claimed it was "essentially preoccupied with social ends" (Audier 2012a, 292).

It had been agreed at the end of the WLC that subsidiary branches of the CIERL would be established in Switzerland, in the United Kingdom and in the United States, with Röpke, Hayek,

[77] "Le plannisme économique: ses promesses et ses résultats" (30 pages) Archives Rougier, box R1.

[78] Rougier himself had drawn up an important program of publications for his collection "Les Classiques du Libéralisme" at the Éditions de Médicis. The list of around 20 names ranges from David Hume to Max Weber, with classical liberals such as Cobden, Stanley Jevons, or Spencer. Archives Rougier, box R1.

and Lippmann respectively, as their mediators. In the statute of the CIERL, more than 80 associate members were listed, split equally between French nationals and foreigners, a sharp increase from the 26 participants of the WLC. Ambitiously, two larger international meetings dealing with the liberal state and its problems were also anticipated, one in New York in Easter 1939 and a later one in Paris in July 1939.[79] In this same brochure, it is announced that in addition to the Parisian committee, additional branches would be set up in Basel, Brussels, London, Paris, and in the United States (Harvard, New York, Princeton, Washington), with more branches expected in the Netherlands, the Scandinavian countries, and South America. This geographical dispersion of early neoliberalism testifies to its early internationalist ambitions. Soon after however, the editorial and public activities of the CIERL stopped as France declared war in September 1939: scheduled meetings did not take place, and other pamphlets in preparation (among which the French translation of Hayek's pamphlet "Freedom and the Economic System") were never published (Denord 2006, 123).

Yet, the CIERL's existence was not embraced by its participants as their main vehicle for intellectual collaboration. Lippmann, in particular, quickly lost interest in the goals of the *Centre d'Études*, writing to Rougier that what mattered most was to save the "national independence" of countries still free of totalitarianism which could force them "to sacrifice for the present time a lot of their freedom."[80] Aron and Polanyi as well distanced themselves from what they perceived to be an overly intellectual orientation of the CIERL, as they felt the most pressing economic problems were not sufficiently taken into account.[81] Finally, Trygve Hoff, the Norwegian editor, lamented the

[79] Undated document with the title "Centre international d'études sur le libéralisme C.I.E.L" (Archives Rougier, box R1).

[80] Letter Walter Lippmann to Louis Rougier, 28 October 1938; quoted in (Audier 2012b, 159n2).

[81] Polanyi wrote to Rougier that : "From my point of view, our attitude at the Colloquium regarding this issue [unemployment] was mistaken. It seems to me that it is of vital importance for the *Centre d'études* that it improves

scientific deficiencies of the WLC, criticizing the association of the Colloque with the name of Walter Lippmann – which might give the public "the impression that the fight for liberalism rest on foundations less solid than they are in reality" – and regretting that more scientists had not been enrolled so that neoliberalism might not be simply reduced to a fight for private capitalism.[82]

this initial position regarding this crucial issue." Letter Michael Polanyi to Louis Rougier, 9 February 1939 ; quoted in Audier (2012b, 159n2).

[82] Letter Trygve Hoff to Louis Rougier, 27 October 1938; quoted in Audier (2012b, 159n2).

CHAPTER 4

EPISTEMOLOGICAL BATTLES IN A TIME OF WAR

> "The discussions of every age are filled with the issues on which its leading schools of thought differ. But the general intellectual atmosphere of the time is always determined by the views on which the opposing schools agree. They become the unspoken presuppositions of all thought, and common and unquestioningly accepted foundations on which all discussion proceeds."
>
> Friedrich Hayek (2010, 285)

> "Science can only be effective as a set of ideas which permeate the public mind. The endeavour of scientists who wish to see their ideas applied in practice must be to encourage and speed up this permeation. The task is primarily one of propaganda."
>
> C. H. Waddington (1948[1940], 114-115)

By the beginning of the Second World War, the early neoliberal consensus for a scientific reform of liberalism was jeopardized by the collapse of its two networks of support: the League of Nations and the CIERL. Around Europe, the planning debate which had fuelled its critical fire reached a provisional resolution with the declaration of war. For early neoliberals, many of their worst fears

came to be realized: the horizon of a supra-national European federation dissipated, war economies meant widespread state intervention and control, and the rule of law was all but suspended. Worse still, liberalism and its failures continued to shoulder the blame for the democratic shipwreck in Europe. Coining the motto "planning for freedom," sociologist Karl Mannheim had bracketed the fate of Western society with its planned rationalization as the only way to save the crumbling democratic state. In the same vein, embryologist C. H. Waddington predicted totalitarianism to be "inevitable" and "a step which we shall all have to take to-morrow" because "the whole trend of recent history is towards it" (Waddington 1948[1940], 22).

When the first signs of war loomed over Europe, Friedrich Hayek was placed in an uncomfortable position: his star had considerably dimmed in England, and the influence of early neoliberalism remained limited. No longer at the centre of scientific controversies, Hayek had become a rather marginal figure, unable to lead a powerful counter-movement in England (see chapter 2). The main issue facing Hayek in England, as in Vienna a decade before, was still the near-ubiquitous association of the "scientific method" with administrative control and socialism. There, he was once more faced with opponents pretending to be doing "real" science, when he believed their pretensions to be foolish and dangerous.

Nominally, Hayek aimed his critique at L. T. Hobhouse, Joseph Needham, and Karl Mannheim as the main representatives of an attitude whose "common idea" was that "by studying human Reason from the outside and as a whole we can grasp the laws of its motion in a more complete and comprehensive manner than by its patient exploration from the inside" (Hayek 2010, 150-1). This offers a convenient way of asserting who Hayek thought constituted the main opposition of his project on the "Abuse and Decline of Reason:" the British New Liberals, the social relation of science movement, and Mannheim's sociology of knowledge. Nevertheless, the debates at the Walter-Lippmann Colloquium had laid bare a persistent dilemma: the transmission of a liberal

scientific worldview to the masses required education and propaganda. Hence, a gap existed between the objective laws of science and their transmutation into opinions. "What is relevant in the study of society," wrote Hayek, "is not whether these laws of nature are true in any objective sense, but solely whether they are believed and acted upon by the people. [...] [T]hat people's opinions are true or not makes no difference" (Hayek 2010, 93-4). The dead-end of the 1930s had moved the early neoliberal agenda from the level of scientific debate to one which increasingly involved public propaganda. As an academic discourse, early neoliberalism could not bear any weight on the social transformations incurred by the dismantling of Europe, lest it embraced a more direct ideological horizon.[1]

As the LSE retreated from London to Cambridge in 1940, Hayek abandoned economics and pursued the third line of inquiry which the WLC had opened: what is the bearing of science upon opinion; and specifically, to what extent are liberal principles embedded in the diffusion of the scientific method? Despite difficulties in communicating with each other, with procuring books, and with the threat posed to their persons and family members, early neoliberals focused on this kind of individual intellectual work during the early years of the war. Once the winds of victory changed direction in 1942, they started to regroup and prepare for the aftermath of war, a moment they perceived as crucial for the deployment of their ideas, lest Europe succumb to the sirens of planning. This chapter surveys the first episode of this transformation through the wartime output of Friedrich Hayek, Michael Polanyi and Karl Popper, while the following one deals with the organizational efforts of early neoliberals culminating in the foundation of the Mont-Pèlerin

[1] This is the hypothesis defended by Rob Van Horn and Philip Mirowski when they write that: "The starting point of neoliberalism is the admission, contrary to classical liberalism, that its political program will triumph only if it acknowledges that the conditions for its success must be constructed, and will not come about "naturally" in the absence of concerted effort. […] Neoliberals accept the (Leninist?) precept that they must organize politically to take over a strong government, and not simply predict it will "wither away"" (Van Horn and Mirowski 2009, 161).

Society in 1947. Until now, my thread has followed the early neoliberal criticism and reinterpretation of critical ventures pursued by their adversaries, either socialists or conservatives. In the previous chapters, I have described how early neoliberals entertained stronger rhetorical disputes than conceptual disagreements with their opponents. Largely unacknowledged in the literature, however, has been the extent to which they integrated these adverse criticisms by reformulating them in a "liberal" fashion. This chapter continues this inquiry and culminates in the elaboration of three instances of ideological appropriation, from the construction of a "liberal" scientism, to a "liberal" sociology of knowledge, and finally, to a "liberal" understanding of tradition.

PART 1. LIBERAL SCIENTISM

Scientism: an overview

In his article on "Scientism and the Study of Society,"[2] Hayek attacked the "abuse" of the scientific method by left scientists. Scientism, Hayek proposed, was caused by the "unwarranted and unfortunate extension of the habits of thought of the physical and biological sciences" to the social sciences and its "slavish imitation of the method and language of science" (Hayek 2010, 79-80). This polemical use of the term "scientism" complemented Popper's refutation of "historicist" doctrines, Polanyi's defence of pure science, and Rougier's dichotomy of doctrine and mystique.

[2] This article was originally published in three parts in the journal *Economica* between the years 1942 and 1944. It had been republished in *The Counter-Revolution of Science* in 1952 along with the historical articles. The latest reedition edited by Bruce Caldwell and issued as volume 13 of the complete works of F. A. Hayek in 2010 will be used here. For more details on the history of the publication of these different articles, refer to Bruce Caldwell's introduction to this latter volume (Caldwell 2010).

Each demonstrated that liberalism was concomitant with a humble view of the possibilities of science, while an instrumental conception served, directly or indirectly, the aims of collectivist ideologies. They accused the engineers of usurping the mantle of science, by "physically" reducing a complex social reality to discrete mechanical parts (Hayek 2010, 80). Arguments once used against Viennese philosophers in the 1920s and early 1930s were recycled in a context where war preparation and planning had propelled applied scientists and engineers to prestigious positions.[3] This indictment prolonged the struggle initiated in the previous decade to redress the liberal view of science.

Yet, through the same process, early neoliberals persisted that the form of economics and social theory they privileged was logically derived from the proper application of science. To that end, they also adhered to the descriptive definition of 'scientism,' as "an *attitude to science*" where "those who use scientific language acknowledge and respect the *authority of the scientific community*, and wish to capitalize on this authority, in order to make their discourse more persuasive" (Cameron and Edge 1979, 3). Here, scientism is not associated with a specific political position, even less so a socialist ambition as early neoliberals had pretended. It represents a rhetorical strategy which counts on the authority of science to support and legitimize a point of view, or to undermine a competing one. In the discipline of economics for instance, "physics metaphors have been at least as instrumental in reifying the image of a natural self-regulating market as they have been in encouraging engineers to believe in their own capacities to successfully plan economic activity" (Mirowski 1989, 356). At the same time, demarcating science from pseudo-science entailed a delineation of what political ideologies could and could not

[3] On Otto Neurath being the "hidden opposition" of Hayek's and Popper's critique, see Uebel (2000) and the subsequent critique by Caldwell (2004, 424-430).

legitimately propose under the mantle of science.[4] Denouncing pseudo-science was an act of intellectual sanitization, with methodology as its chlorine bath.

Paradoxically, the early neoliberals' denunciation of "scientism" did not concern the progress and dissemination of a scientific worldview. On the contrary, they all shared the view that the proper application of the scientific method enjoyed a virtuous relationship with liberalism. In fact, once detached from its polemical connotation, the descriptive and neutral sense of "scientism" merely conveys the belief in the authority of science as a whole. There exists no such thing as "an intrinsic relationship between 'objective science' and a particular social philosophy" (Hakfoort 1995, 385). Scrutinising the concept of scientism, however, enables one to "describe and analyse how the intellectual and social borders of science were constructed as the complex outcome of, amongst other things, the actions of working scientists as well as of pro-scientistic and anti-scientistic public relations" (*ibid.*, 386).[5] Indeed, the early neoliberals' use of "scientism" participated in this social construction of scientific boundaries, since they hoped, as scientists, to shape the public perception of science in order to legitimize their own claims to scientific truth as well as exclude

[4] Mirowski writes that: "Hayek, in the essays collected together in his *Counter-revolution of Science*, sought to explain the enthusiasm of the natural scientists for social planning as an illegitimate conflation of the two distinct projects. Because the 'engineers' were treating the economy as a natural object subject to prediction and control, they were not in any position to understand the kind of information-mediation functions that Hayek was now insisting were the mainstay of market functions: since no mind could fully encompass the operations of the Market, neither could the cognitive capacities of the scientists" (Mirowski 2007: 364).

[5] Caspar Hakfoort was probably the historian of science who devoted the most thought to the concept of scientism, which he studied in relation to the life and work of the German physicist Wilhelm Ostwald. In his important contribution on the topic, Hakfoort describes his findings as following: "In Ostwald's case scientism amounted to: (i) the construction of a unified science of nature (energetics); (ii) its use as the 'scientific' basis for an all-embracing philosophy or world-view (energeticism); (iii) the programme to realize this philosophy in practice, as a *secular religion* to replace Christianity" (Hakfoort 1992: 525). In the conclusion, Hakfoort writes perceptively that "a case can be made for the thesis that scientism has penetrated western society, not only by means of academic philosophy but also through technology and the social sciences. The tendency to define social problems as scientific or technical, and the influence exerted within many areas of our daily life by experts with scientific training, can be interpreted as a realization of scientistic ideals. We could, perhaps, say that the scientistic world-view has to a significant extent been internalized by our society" (*ibid.*, 543). This is congruent with the conclusion reached in the first chapter that the instrumental conception of science, despite the early neoliberal resistance, has now reached a hegemonic position inside and outside neoliberalism.

those of others. Hayek, Popper, and Polanyi, walked the tight rope of denouncing the scientism of their opponents while legitimizing their brand of liberalism through epistemological and methodological postulates. This, I suggest, epitomized a new form of scientism: a "liberal" scientism.

A useful contrast can then be drawn from a contemporary assault on scientism that did come from a fellow émigré and former companion of Hayek in the *Geistkreis*: Eric Voegelin. In his article on "The Origins of Scientism" published in 1948, Voegelin delivered a wholesale attack upon scientism which he defined as "the attempt to treat substance (including man in society and history) as if it were phenomenon" (Voegelin 1948: 463-4). Voegelin's critique was typical of the suspicion of German émigrés towards scientific progress, which some perceived as the debasement of man's position in the world, and the foreclosure of his chance to understand his existential position (Arendt 1958). For others, this exacerbated embrace of scientific rationality had led to totalitarianism (Horkheimer and Adorno 2002[1947]). For Voegelin, the principles of an objective science which pretend that "all realms of being are accessible to the methods of the sciences of phenomena" entailed an antispiritual attitude which devalued transcendental experiences and led to "civilizational destruction" (Voegelin 1948: 463, 464). The most startling contrast between Hayek's, Popper's, and Polanyi's position and Voegelin's criticism of "scientism" lay in the latter's indiscriminate rejection of the power and grip of science onto society. Indeed, it was the invasion of scientific rationality, and especially its "social effectiveness" drawn from "the prestige of mathematized science" (*ibid.*: 463) which fuelled Voegelin's reactionary outburst. Whereas early neoliberals were preoccupied with reclaiming the mantle of science, Voegelin sought to isolate the influence of science from the spiritual development of society and the "substance" of phenomena.

Voegelin's denunciation of the advancement of science as "the greatest power orgy in the history of mankind" and a "cancerous growth of the utilitarian segment of existence" (*ibid.*: 486, 488) devalued the work of scientists and doomed the history of science to be that of the fall of man. In many ways, he revived the first definition of 'scientism', originally coined as a pejorative slur against anti-ecclesiastical radicals who claimed to eliminate the "mystery" of religion thanks to the dogmatic application of science (Schöttler 2013). Polanyi, by contrast, saw belief and science as working hand in hand, conceiving the institution of science as a society of explorers driven by a "belief in the ever continuing possibility of revealing still hidden truths, [...] a belief in a spiritual reality" (Polanyi 1964, 17). Moreover, Hayek's preach of "humility" did not concern the overall progress of science, but merely the means of its potential application to society. Therefore, the reactionary diatribe of Voegelin was walking the path neoliberals explicitly rejected, henceforth marking a greater distance between the neoliberal attitude towards science and its conservative counterparts than with Marxist scientists.[6]

The *Tots and Quots*: scientists at war

An important, and largely forgotten, group that galvanized the publishing ire of early neoliberals was the *Tots and Quots* dining club.[7] The club had been formed in the early 1930s at the initiative

[6] Voegelin concludes this article with typical gloom: "The damage of scientism is done. As a philosophical friend aptly phrased it, the insane have succeeded in locking the sane in the asylum. From this asylum no physical escape is possible; as a consequence of the interlocking of science and social power, the political tentacles of scientistic civilization reach into every nook and corner of an industrialized society, and with increasing effectiveness they stretch over the whole globe. There exist only differences, though very important ones, in the various regions of the global asylum with regard to the possibility of personal escape into the freedom of the spirit" (Voegelin 1948: 494).

[7] From 'quot homines, tot sententiae' or, idiomatically, 'as many opinions as there are people'. Members included J. Z. Young (Biologist), J. D. Bernal (crystallographer), John MacMurray (philosopher), M. M. Postan (economist), Roy Harrod (economist), Joseph Needham (biochemist and sinologist), Hyman Levy (mathematician), Lancelot Hogben (zoologist), J. B. S. Haldane (geneticist and evolutionary biologist), Gordon Childe (archaeologist), R. H. S. Crossman (politician), and Hugh Gaitskell (civil servant and politician). Guests at various times included William Penney, John Cockcroft and Allen Lane, whose publishing house produced the society's only formal

of the Cambridge biologist Solly Zuckerman, and comprised Lancelot Hogben, J. B. S. Haldane, Julian Huxley, as well as economists M. M. Postan, Roy Harrod, and Hugh Gaitskell. Running from 1931 to 1933, the meetings had elicited amongst its participants, most of them greatly impressed by the 1931 Russian roadshow (see chapter 1), "a strong theme of the social responsibility of scientists" as the debates concerned the "general significance of science to society" and "the conscious role science might play in social development" (Zuckerman 1978, 109, 391). In his autobiography, Zuckerman writes that he brought the dining club back in 1939 because scientific establishments "were not as enterprising as they could have been in mobilizing the country's scientific resources in the fight against Hitler's Germany" and ignored "the vast potential that lay in the scientific approach, or in the applications of scientific knowledge, when dealing with the complicated problems of war" (Zuckerman 1978, 109).

Opposed to the quietist posture of Chamberlain, Zuckerman, Bernal, and Huxley published an anonymous editorial in *Nature* warning the government of the suboptimal use of the country's scientific resources and advocating for the creation of a national register of scientists quickly mobilisable in times of need. "If science is to be used to some extent for the protection of humanity in war," they wrote, "it needs to be organized more comprehensively than it is at present" (Nature 1938: 686). At one dinner in 1939, Bernal spoke of the "disorganization of science" and regretted that "scientists who wanted to help in the war effort were being regarded by the scientific establishment as meddlesome troublemakers" (Zuckerman 1978, 110; Calder 1999, 168). The next meeting set the table for the publication of the anonymous pamphlet *Science in War* a month later which was widely reviewed, sometimes by the own contributors themselves like Julian Huxley.

publication *Science in war* in 1940 (cf. Zuckerman 1978, 109-112 and 393-404). Both Crossman and Gaitskell would become frontbench members of the British Labour Party in the 1950s and 1960s.

The first page of this little volume read like the group's manifesto as it gathered many themes developed by the social relations of science movement in the context of war preparation:

> "It should be appreciated that until now, the world of science has had little say about the use to which scientific advances are put. Had it been otherwise, and had scientific methods played their part in home and international affairs, war might have been avoided [...] (For) science is the most orderly expression of normal ways of acting and thinking: there is therefore a great need today for quick scientific thought. Only scientific method can deal effectively with the new problems which turn up daily, and the issue of the war depends largely on how quickly and how effectively science is used" (Quoted in Werskey 1979, 263).

This publication, and its large readership among all circles, helped secure important war work for all of the *Tots and Quots* members, amongst whom P. M. S. Blackett and J. D. Bernal. They would become instrumental in developing Operational Research, in helping protect cargo ships in transit, and in improving the efficiency of bombing and defence (cf. Calder 1999; Nye 2004). Later on, eight members of the *Tots and Quots* were recruited in the newly formed 'Division for the Social and International Relations of Science' of the BAAS in 1941 headed by the long-time *Nature* editor Richard Gregory, and arguably the pinnacle of the SRS movement's influence among the scientific establishment. The club disbanded around that time, each of its members too busy with the war effort to devote any more time to these convivial encounters. Its success in securing a greater participation of scientists to military operations and decisions was complete.

In the end, the war fulfilled the *Tots & Quots*' ambition of having a hands-on influence on the direction of the war, as well as on the scientific policy of the country. Despite their political leanings—which made them suspicious to some[8]—most of them distinguished themselves in

[8] Sir John Anderson, Lord Privy Seal in Chamberlain's Cabinet and in charge of civil defence, had recognized the talent and initiative of Bernal. Enthused by meeting him in Oxford in January 1939, he was then warned by the Whitehall Chief Scientific Officer that Bernal was a well-known 'red'. Anderson famously replied: "Even if he is as red as the flames of hell, I want him" (quoted in Brown 2005, 135).

serving as specialists attached to army headquarters. This way, they directly demonstrated to the public the opportunities and benefits of the views they had preached the decade before: that of a greater application of scientific results to specific needs in society, practicing the kind of state-sanctioned experiments they had been vehemently demanding. Unquestionably, the scientific left waged a 'good war': their vision of Britain transformed by a "politically awakened scientific community" converging with a "scientifically enlightened labour movement" began to materialize. The social dynamics of warfare had moved public opinion to the Left and compelled "politicians, industrialists and generals to make some amends for their old, unplanned and unscientific ways as well." Finally, scientific institutions like the A.Sc.W. and the BAAS had embraced a "socially responsible" conception of the work of scientists, engineers and technicians. History, it seemed, was on the side of Bernalism (Werskey 1979, 266-7).

The *Tots and Quots*: C. H. Waddington

The Cambridge biologist C. H. Waddington was the most reviled member of the *Tots and Quots* by early neoliberals.[9] His 1941 pamphlet *The Scientific Attitude*, whose ideas "arose" from discussions held there (Waddington 1948[1941], x), expounded the necessary link between the scientific outlook and the adaptation of our ethical beliefs to biological evolution, proposing that "in general the whole of evolution is concerned with the gradual increase in conscious rational control over more and more complex fields of behaviour" (*ibid.*, 113). After the liquidation of the capitalist world in the war, avenues had now opened for the scientific attitude to infuse the efforts of reconstruction as "the rational economic system at whose birth pangs we are already assisting, can only be fully utilised if it is infused by a culture whose method of approach is also rational,

[9] Waddington's scientific achievements are, like many left scientists discussed here, considerable. He was the first to propose the idea of developmental epigenetics and the medal of the British Society for Developmental Biology is named after him.

intelligent, and empirical" (*ibid.*, 171-2). This association between a genuine "scientific attitude" and a "rational economic system," which was an anathema to early neoliberals, was accompanied by the belief that Nazism had been precipitated by the collapse of the German economy and a "result of the misfiring of the economic machine" (*ibid.*, 14). Waddington accounted for the popularity of totalitarianism by pointing to its capacity to produce a "coherent society [...] in which [...] one did not feel lost" (*ibid.*, 91-92). Contrary to the chaos and aimlessness of the capitalist system, he believed that centralization, both in the private sector (monopoly), or as public control (planning), was inevitable, and what's more, a necessary road others would soon follow.

From Waddington's perspective, totalitarianism was but the next stage of a scientific society: Nazism, Fascism, and Communism, for all their mistakes, represented "three full-sized experiments in possible methods of organising the productive forces of a country" (*ibid.*, 23) insofar as "the economic organization of the world is going totalitarian, and nothing can stop it" (*ibid.*, 152). Learning from these totalitarian experiments, scientists needed to contribute to the diffusion of a scientific outlook dedicated to rational and controlled progress, in line with the accomplishments science had brought to society thus far. Accordingly, Waddington blamed the passive attitude of German scientists who "stood apart from the general cultural movement" and "carried on with the lazy, timid belief that science is concerned with a variety of out of the way phenomena among electrons and insects, but not with the daily life of man" (*ibid.*, 87-88).[10] Their

[10] In a response to Polanyi's letter to *Nature* from January 1941 (Polanyi 1941a), Waddington writes: ""Scientific detachment", writes Prof. Polanyi, "is of the same character as the independence of the witness, of the jury, of the judge". But the witness, the jury and the judge turn their attention to problems presented to them as being socially important; they are not at liberty to choose to spend the afternoon discussing the sexual habits of Polynesian worms, or whatever else takes their fancy. […] It can be argued that a socially directed science, although free to be critical and objective, would have its attention fixed down to problems chosen for it by social forces outside its own control. But speaking as an embryologist of no cash value, to anybody, addressing a physical chemist of enormous industrial importance, I should like to ask Prof. Polanyi if something of the sort is not true already. Our civilization is, to some degree, a society and not a mere collection of individuals. Men of science are, again to some degree only, involved in the social bonds which create the coherence of society" (Waddington 1941: 206).

detachment from the demands of the social world, upon which they relied for the continuance of their work, had contributed to the demise of a democratic scientific culture.[11] Like Bernal, Waddington embraced a view of the scientific *ethos* as epitomizing the qualities one would ideally find in a *politeia*. Reciprocally, Communism provided the leading example of a scientific movement, and Marxism stood as a superior theory of economics and history: "the general ideological or cultural outlooks of science and of communism are, in fact, very close to one another" (*ibid.*, 105). To a large extent, the pamphlet vulgarized the lessons of Bernal's influential *The Social Function of Science* published two years earlier.

This high tide of scientists directly involved in the direction of war provided the immediate context in which Hayek laboured and prepared his *Road to Serfdom*. Within its pages, he condemned Waddington's *Scientific Attitude* as a good example "of a class of literature which is actively sponsored by the influential British weekly *Nature* and which combines claims for greater political power for the scientists with an ardent advocacy of wholesale "planning"" (Hayek 2007, 202). Since Waddington welcomed the coming of a totalitarian society as the outcome of a truly scientific society, Hayek made him one of the embodiments of the slippery slope argument that he developed in the opening chapters. Before 1944, however, Hayek had been relentlessly attacking the ideas of the scientific left in his wartime publications, without much success in swinging scientific opinion. Worse still, these scientists had amassed immense prestige and power during the war, due to their

[11] In a hardy disguised attack against the neutralist position of scientific bodies, especially the Royal Society, Waddington wrote: "Its [science] failure to realise and fulfill its social function is probably the most unfortunate of them all. [...] The social consequences of the scientific habit of mind should have been a common topic of argument and criticism, a generally recognised subject for creative thinking, something of which first the leaders of contemporary culture, and then every educated person, would have heard and read and thought. Instead of that, the scientific world has often been, in its public and explicit expressions of opinion, unwilling to admit that its attitude has any relevance to social life, and it has hardly ever even dared to suggest it has an important contribution to make" (Waddington 1948, 70).

extraordinary contributions to the British war effort,[12] whereas early neoliberals, all émigrés, had been relegated to the margins of a society whose traditions and customs they had come to adopt and admire. The former group was tightly knit, all natural scientists belonging to Britain's scientific elite; the latter had been struck with the full force of the disintegration of Europe.

Hayek's encounters with socialist scientists

After the fallout of the CIERL and the beginning of the war, early neoliberals in Europe fell back on a critical program instead of developing a positive agenda for liberalism. Despite the failure to publish "Common Affairs," the collaboration between Polanyi and Hayek continued unabated. Polanyi's Society for the Freedom in Science created in 1941 (see chapter 1) pushed back the claims of left scientists among scientists themselves, while Hayek wrote opinion pieces against wartime planning and Keynes' ideas of how to pay for it.[13] Particularly irritating for Hayek were the counter-propaganda methods used by the British authorities to persuade Germans to turn against the Nazi regime.[14] Perhaps bitter for not obtaining war work in England when he thought his knowledge of the German intellectual psyche would prove invaluable, Hayek lashed out at the "none-too-glorious history of British propaganda towards Germany during the last two years"

[12] For instance, Bernal received the Royal Medal in 1945 for his achievements as an X-ray crystallographer and the American Medal of Freedom in 1947 for his contribution to the planning of the D-Day invasion of Normandy.

[13] Hayek published a two-part article, "Pricing and Rationing" and "The Economy of Capital," in *The Banker* in September 1939 (in Hayek 1997, 151-156 and 157-160). He published a review of Keynes' *How to Pay for the War* in the *Economic Journal* of June-September 1940 (in Hayek 1997, 167-172).

[14] In "Some Notes on Propaganda in Germany" dated 12 September 1939, Hayek elaborated a strategy destined to British intelligence to improve the efficiency of its counter-propaganda towards the German people. His strategy was based on making widely known the writings and words of famous German liberals, as a way to redress their view of history: "The extent to which the political views not only of the more intelligent Germans but even of the ordinary citizen of Germany are based on the distorted view of history, on which they have been brought up during the past sixty years, can hardly be exaggerated: even in so far as the common people are concerned, the long run effect of any propaganda will depend on now far it succeeds in dispelling the main misconceptions in this respect; and the influence which we can hope to exert in the long run on the more intelligent classes and their belief in the justice of their cause, which in the end will surely be decisive, will depend perhaps primarily on the extent to which we succeed in correcting this distorted view of historical events by which they are guided" (in Hayek 2007, 307).

which represented "the most recent [...] instance of the defects of our knowledge of Germany" (Hayek 1997, 176).[15]

After the LSE moved to Peterhouse in Cambridge University in 1940 to evade the London blitz, Hayek became simultaneously remote from the political turmoil of London, and in closer contact with socialist scientists who had Cambridge a hotbed of socialism in the 1930s. Once he had finished the draft of his long-drawn out work on *The Theory of Pure Capital* in 1940, he dedicated himself to a new project for which discussions at the Walter-Lippmann Colloquium had provided a fertile ground. He shared his excitement with Fritz Machlup in optimistic terms:

> "I am already at work on my new book, a history of the influence of scientific and technological development on social thought and policy (to be called *The Abuse and Decline of Reason*) and I have in the course of the last year already worked out a fairly definite plan and done a good deal of preliminary reading. It is a great subject and one could make a great book of it."

The second part of this book, Hayek conceived, would be an "an elaboration of the central argument of my pamphlet on "Freedom and the Economic System""[16] (see chapter 2). This extended text would become, in time, *The Road to Serfdom*. From the middle of 1940 through 1941, Hayek concentrated on the articles which eventually constituted *The Counter-Revolution of Science*, a critical intellectual history of French rationalism, with Saint-Simon and Auguste Comte as his two historical antagonists, and Karl Mannheim as a more contemporary target (see *infra*).

During that time however, the project of carefully rebuilding the "abuse and decline" of reason starting from the French Revolution was contaminated by the activism of left scientists whose heat

[15] This quote was originally published in a letter Hayek sent to *The Spectator* entitled "Knowledge of Germany" and published on 26 December 1941, p. 595. This letter was republished along with various other letters Hayek sent to British newspaper in Hayek (1997, 175-178).

[16] Letter Friedrich Hayek to Fritz Machlup, 21 June 1940; reprinted in Hayek (2010, 312-3).

Hayek directly felt in Cambridge. This is revealed in two important letters written in mid-1941, which indicated a clear reorientation of his intellectual preoccupations, abandoning his first plan of action and focusing on denouncing the corruption of science.[17] In a letter to Polanyi, in which he invited him to review Crowther's *The Social Relations of Science*, Hayek explained his misgivings against the radical scientists he encountered:

> "*I attach very great importance to these pseudo-scientific arguments on social organization being effectively met* and I am getting more and more alarmed by the effects of the propaganda of the Haldanes, Hogbens, Needhams etc. etc. I don't know whether you have seen the latest instance, C. H. Waddington's Pelican on *The Scientific Attitude*. I think this last specimen is really quite contemptible, but like all the sixpennies it will probably be read by hundreds of thousands. I am seriously thinking of writing to *Nature* to point out how much scientists discredit the reputation of science by such escapades."[18]

The publication of his article on "Planning, Science and Freedom" in November 1941 in *Nature* constituted Hayek's first salvo directly aimed at Waddington and the scientific left. *The Road to Serfdom*, drafted around that time, testifies to this intellectual battle, indicting Waddington and Crowther in chapters entitled "The Totalitarians in our midst" and "the End of Truth," respectively (see chapter 5). Writing to Machlup prior to the publication of the *Nature* article, Hayek made it clear to him who his real foes were, admitting that:

> "If one cannot fight the Nazis one ought at least to fight the ideas which produce Nazism; and although the well-meaning people who are so dangerous have of course no idea of it, the danger which comes from them is none the less serious. The most dangerous people here [in Cambridge] are a group of socialist scientists and I am just publishing a

[17] Hayek's original blueprint of the projected chapters and parts is reproduced in Caldwell (2010, 5).
[18] Letter Friedrich Hayek to Michael Polanyi, 1 July 1941, Polanyi Papers, box 4, folder 7 (my emphasis).

> special attack on them in *Nature* – the scientific weekly which in recent years has been one of the main advocates of 'planning'."[19]

Without a doubt, Hayek's intellectual reorientation was triggered by the presence of J. D. Bernal, Joseph Needham, and C. H. Waddington on the grounds of Cambridge. In an unpublished interview with William Bartley dated "Summer 1984, at St. Blasien," Hayek said that J. D. Bernal "became to me representative of a new view, which I tried to analyze in 'The Counter-Revolution of Science', and that was so dominating in Cambridge" (quoted in Caldwell 2010, 33n91). At this very time, Polanyi had just created his Society for the Freedom of Science—which Hayek eventually joined[20]—in order to gather fellow scientists against the extension of the SRS influence in academic and government circles. Beyond the scientists' political enthusiasm for collectivism, what incensed many neoliberals was the stickiness of their rivals' theories of science, and their interpretation of recent events as proofs of the truth of their ideas.

Analogical mistakes 1: the indeterminism of data

Unlike their conservative counterparts, both early neoliberals and their opponents from the left were committed to the scientific worldview as a prophylactic against ideological biases. Yet, at the same time, the isolation of scientific work from ideological factors was being questioned on two fronts. On the one hand, the externalist account in the history of science had uncovered the ideological basis of the production of "pure" scientific truth. On the other hand, the project of a sociology of knowledge aimed at revealing the embedded ideology within science and opinion. In this pincer movement, radical scientists explicitly embraced the vision of a post-ideological science and culture reconciled in the scientific society modelled on the Communist ideal. On the other side,

[19] Letter Friedrich Hayek to Fritz Machlup, 19 October 1941; reprinted in Hayek (2010, 319).
[20] See "List of Members (June 1947)," Polanyi Papers, box 15, folder 2.

early neoliberals sought to neutralize these social aspects of science by embedding them within epistemological and methodological devices in order to guarantee a liberal working of the scientific community.

Scientism, early neoliberals explained, stemmed from a misunderstanding of the methodological analogies between the natural and the social sciences. These errors had led to the misuse of the scientific method, and ultimately its fall from objectivity into ideology and pseudo-science.[21] Due to the social sciences' lack of coherent method, they have been attracted to the methods used in the other sciences.[22] The issue, however, had not been the pull of physics as a model *per se*, but a mistaken comprehension of the methods of the natural sciences themselves (Popper 2002c, 2). For instance, Rougier condemned any attempt at "social engineering" based on the application of statistics and mathematics to social problems, because social science commonly overlooked the critical indeterminism at the core of natural science in favour of an imitation of its apparent empiricism and positivism. A metaphysical belief in universal determinism ignored the indeterminacy of observation found at the atomic level. The use of econometrics, he wrote, led to a "technocratic conceit," where one believed possible "to put everything into equations" (Rougier 1948, 36). Therefore, the kind of analogies which social science derived from natural science represented but a travesty of the actual epistemology and methods used in physics and in biology. They corresponded to a "classical" – and thus outdated – understanding of how the natural sciences worked, one which did not take into account the antifoundationalism and conventionalism characteristic of the "new scientific spirit."

[21] "As has been true with so many fertile ideas," wrote Hayek, "a stage is often reached when their very success brings about their application to fields in which they are no longer appropriate" (Hayek 2010, 282).

[22] The last dinner held by the *Tots and Quots* discussed the question "How scientific is social science?" and the majority of the attendees denied the scientificity of the social sciences as it produced no general laws (Zuckerman 1978, 403).

Accordingly, early neoliberals postulated that the indeterminism and opacity of the "sense-data" collected in the social sciences made their methods and orientation different from those of the natural sciences. They were limited to observing man's actions—and their undesigned results—without possibly accessing the inner realm of consciousness (Hayek 2010, 86).[23] Consistent with the picture drawn by fellow neoliberals, Hayek imagined in the mind a universe in *chiaroscuro*, a reclassification of perceptions into a "new world which man creates in his mind, and which consists entirely of entities which cannot be perceived by our senses, [...] yet in a definite way related to the word of our senses" (*ibid.*, 84). Stimuli could be deceptive, objects which appeared well-defined may be caused by invisible factors (*ibid.*, 109). The actions of the individual in the physical world were ruled chiefly by *opinions* where "the things *are* what the acting person think they are" (*ibid.*, 89). As a result, these *opinions* constituted the genuine "facts" of the social sciences. Crucially, their exact origin could not be known *a priori* (for instance through sociology or psychology), but only *a posteriori* through the actions of individuals and their consequences (*ibid.*, 99). This nominalist position obviated the "naive realism" which reified social wholes or a collective mind, and revealed the laws of their evolution. Using a typically Viennese trope, this trend had led, remarked Hayek, to "all sorts of pseudo-problems" (*ibid.*, 121), most conspicuous in Comte's alliance of positivism and metaphysics.

For early neoliberals, the world of opinions and ideas constituted a separate phenomenal realm accessible only through explanation and interpretation, and not through a fragmentation into more primitive elements.[24] This second world was a 'constructed' and emergent rendition of physical stimuli, a *Gestalt* or a subjective picture reconstructed in the obscurity of the mind. In

[23] Social studies "are concerned with man's actions, and their aim is to explain the unintended or undesigned results of the actions of many men" (Hayek 2010, 88)

[24] This ontological division between spheres of incommensurable knowledge pervaded the works of Hayek and Popper: World 1 and World 2; simple and complex phenomena; physical and social science; etc.

consequence, analogies between the natural and social sciences ought not to be reductionist: social phenomena remained irreducible to a mere congregation of facts (Hayek 1948, 57ff). The importance of 'choice' for any social theory lay then in its heuristic function, at least inasmuch as it revealed the individual's tacit knowledge and preferences from the inside out.

Analogical mistakes 2: laws and history

Particularly problematic was the pretence of objectivity claimed by the social sciences by applying the language of the natural sciences, especially physics and biology, with their "laws" and "stages" of development.[25] Hayek's own criticism of historicism and scientism greatly profited from Popper's *The Poverty of Historicism*, which he edited and published in *Economica* (cf. Shearmur 1998). During the spring of 1936, at the same time as his first meeting with Hayek, Popper had discussed the social implications of evolutionary theory with some of the British radical scientists (Hacohen 2000, 315-6). Traces of that meeting appeared in his *Poverty of Historicism*, in which he denounced C. H. Waddington, J. D. Bernal and Julian Huxley for their "moral futurism," mechanically linking biological evolution and ethical progress (Popper 2002c, 97-99). This latter group, he observed, regarded science as a "social midwife" to the laws of history and reason, and hoped to transform science into a "powerful instrument in the hands of the politician" (*ibid.*, 52).

Hayek, Polanyi, and Popper, each aimed at refuting the existence of deterministic laws which could be found through the study of history or sociology. For Popper, historical 'laws' were in fact 'trends' which did not possess the same degree of exactitude. This confusion accounted for the rise of evolutionism and historicism in the social sciences. Against all forms of planning and lawful development of history, Popper argued that a kernel of ignorance critically remained at the center

[25] Popper writes: "The idea of the movement of society itself – the idea that society, like a physical body, can move as a whole along a certain path and in a certain direction – is merely a holistic confusion" (Popper 2002c, 105).

of scientific work, concluding that "no society can predict, scientifically, its own future states of knowledge" (Popper 2002c, xiii). More importantly, Popper rebuked the idea that law-like predictions could be deduced from historical or sociological knowledge. What distinguished scientific theories from prophetic pronouncements was the use of the experimental method, whereby the status of theories is verified (or falsified) through an experiment, making them conditional to their experimental conditions.[26] As for Polanyi, he criticized Marxist scientists for their tendency to write history in a retrospective manner: dialectical materialism was akin to magical reasoning which, instead of considering the present state of affairs, reconstructed history as a means to exemplify fixed historical laws. Substituting these mechanical laws of scientific progress in place of the ethical ideals of the scientist entailed the dissolution of a sphere of consciousness removed from social powers. It led to a world where the "methods of the Spanish Inquisition" become "the rational instruments of human progress" (Polanyi 1941b: 456).

Similarly for Hayek, laws and theories of historical development constituted mental shortcuts, which achieved a great amount of authority due to their analogy of character with the predictive laws of the natural sciences (Hayek 2010, 136). For Hayek, the search for a law-like development of culture and society mimicked the Comtian gesture of essentializing social wholes, giving in to a form of conceptual realism where social structures can be "immediately given to experience" as if they were transparent to our scientific probes (*ibid.*, 293). It erroneously applied lawful assumptions to contingent situations, thereby denying the fundamental uncertainty inherent in social processes, and the logical impossibility of defining and controlling social wholes. Moreover, historical laws of development entailed a teleological conception of history in which "man cannot

[26] Popper writes: "This, we may say, is the central mistake of historicism. Its '*laws of development' turn out to be absolute trends*; trends which, like laws do not depend on initial conditions, and which carry us irresistibly in a certain direction into the future. They are the basis of unconditional *prophecies*, as opposed to conditional scientific *predictions*" (Popper 2002c, 118).

change the course of history" and individuals are merely instruments of a larger fate. Freedom in that case represented "a peculiar variety of fatalism" (Popper 2002c, 46), a "recognition of necessity" (Hayek 2010, 296) which depended on ideological faith and not on scientific reason.[27]

Therefore, the brand of scientism which early neoliberals rejected was contingent upon false analogies between the workings of nature and the workings of man and society. Social wholes (e.g. "society," "social class") may appear analogical to physical wholes (e.g. an "organism") and invite the application of similar rules to explain evolution and change. Since the development of society appeared to obey lawful regularities, positivists believed that the methods of the natural sciences ought to be employed to uncover the fundamental elements at work: the so-called complexity of the social world constituted merely a practical problem which could be solved by means of aggregated statistics and precise measurements. Given the right instruments, the social world would be made as transparent to our scientific eyes as if under a microscope. On the contrary, insofar as early neoliberals sustained analogies of their own between the social world and the natural world, they limited it to the epistemological level. They abided by a form of critical conventionalism whereby our knowledge remained ultimately uncertain, being necessarily theory-laden and refutable by tests and experiences. Therefore, correct analogies correlated the indeterminism of data found in the natural sciences, with the opacity of psychology found in the social sciences. Social wholes (e.g. "mind," "market") could not only be explained by their constitutive elements because they possessed distinct and emergent properties. As such, they only existed in theory.[28] The analogies favoured by early neoliberals did not entail a reduction or a

[27] J. D. Bernal had famously defined his vision of scientific work as one of investigative freedom wrapped within a wider historical necessity, a paradox he captured in the title of his essay collection *The Freedom of Necessity* (Bernal 1949) (see chapter 1).

[28] Hayek writes that: "The 'wholes' [...] do not exist for us apart from the theory by which we constitute them, apart from the mental technique by which we can reconstruct the connections between the observed elements and follow up the implications of this particular combination" (Hayek 2010, 134).

uniformity, but an axiomatic familiarity or a unity of principles.[29] In this way, they applied the same epistemological limits posed by the new-found complexity and indeterminism of the natural sciences to the social sciences.

Analogical mistakes 3: orders and their limits

To explain the emergence of collective concepts and institutions, early neoliberals developed an original theory of "undesigned orders," "dynamic orders," or "spontaneous orders" where they exposed that the creation of institutions happened through the unintended consequences brought about by the rational actions of dispersed individuals. This principle was key to their social theory: it accounted for the importance of tacit knowledge, the rational role of traditions, and the limits set upon comprehensive knowledge. More importantly, these undesigned orders displayed similar properties across different areas of existence. They resulted from letting individual particles be "free to obey the internal forces acting between them, achieving an equilibrium between all the internal and external forces" (Polanyi 1941b, 431). They could be "of the highest degree of complexity," as was shown in *Gestalt* psychology, the evolution of the embryo, or the evolution of a species (*ibid.*: 432). Opposite the corporate or planned order, was what Polanyi, following Köhler, called a "dynamic order," whose "best known example […] is that of economic life based on a competitive system of individual producers and consumers" (*ibid.:* 435). The actions of individuals on the market affected the price system, thus leading to more adjustments, and the results "may be called a dynamic order of production, because it is an arrangement of great complexity and

[29] For instance, on the question of the mind: "When we speak of mind, what we mean is that certain phenomena can be successfully interpreted on the analogy of our mind, that the use of the familiar categories of our own thinking provides a satisfactory working explanation of what we observe" (Hayek 2010, 139).

usefulness, achieved by a series of direct lateral adjustments between individual producers making independent decisions" (*ibid.*: 436).

Dynamic orders were not solely qualified by the presence of a market but described a variety of activities and institutions which resembled each order according to their mode of organization. "Found in the intellectual and moral heritage of man," common law and science, in particular, became classic examples:

> "It seems clear that *the complex system of Case Law arises by a process of direct adjustments between succeeding judges*. Each new decision is made with reference to all those made up to that date, and causes all earlier decisions to become—in effect—somewhat modified. *This is precisely analogous to the relationship between the consecutive decisions of individual producers acting in the same market*" (Polanyi 1941b, 436; my emphasis).

Law and science, with their body of rules each upheld by a dedicated community of practitioners, yet open to test and revision, constituted a paradigmatic model for the imagination of liberal institutions. Yet, like the meaning and role of law, these institutions were of an ambiguous nature. They were the evolutionary result of the "unintended consequences of rational actions" (Popper 2002c., 59n12) and, at the same time, instrumental to the pursuit of social activities. Like science and the market economy, common law illustrated a form of order which did not arise out of will or intention, but as a process of continuous lateral adjustments. From this intuition, Polanyi elaborated a fully-fedged theory of "polycentric orders," in which authority is decentralized and distributed among agents, allowing for a greater computability and fluidity of social tasks. As a result, these polycentric orders epitomised an analogical method of coordination based on the formal model of a marketplace (Polanyi 1998[1951], 210ff).

When looking for similarities between spontaneous orders in society and nature, Hayek criticized the use of "organization" as a potential candidate, arguing that it provided a "limited analogy." He

then proposed his own variant, that "spontaneous social formations" (money, price system, market, etc.) behaved "as if" they had a deliberate aim (Hayek 2010, 144). The chance discovery and sedimentation of these orders were then buried under mental representations subsequently built to rationally justify their existence, providing them with an "apparent" purpose. This is what Hayek denounced as a "constructivist fallacy," an "anthropomorphic transposition" embedded in Cartesian rationalism (Gray 1998[1984], 26). The prevalence of these fallacies thus required a high degree of "humility" from the social theorist to acknowledge the undesigned origins of institutions, a typical trope of early neoliberalism.

For the Austrian tradition starting with Carl Menger, the emergence of social wholes resulted from a sum of individual actions without the need for any conscious overall design. Participants to these spontaneous orders represented a loose community of interpreters, whose actions could be understood at the abstract level, and yet remained unpredictable at the concrete level, because they obeyed a singular mix of opinions, motivations, and circumstances unknowable to an outside observer as well as to the individual herself.[30] At the same time, the popular image which participants had formed of these undesigned orders constituted a key level of public opinion, one which economic science could directly improve upon. Despite the formal separation between

[30] This hermeneutic potential of these intuitions has been worked out by a group of Austrian theorists gathered at George Mason University around the Center for the Study of Market Processes in the 1980s. Don Lavoie, in particular, has further developed the analogy, suggested by Polanyi, between the community of scientists and the agents on the marketplace for the general purpose of efficient coordination. This is illustrated in the following comparison: "Just as the acceptance or rejection of a scientific theory rests on the personal commitments of members of the scientific community to truth, so does the 'survival' of a posted price or a particular production project rest on the personal commitments of market participants to profit. The willingness of a scientist to adhere to a theory or of an entrepreneur to a production project depends on his whole set of personally held and unarticulable beliefs about other theories or other production projects with which the presently contemplated theory or project must be complementary. The entrepreneur's subjective expectations about the future course of demand and supply for all the related goods and services determine his decision, yet, like the ideas of the scientist about what constitutes "good science," these expectations are unarticulable. Profit and truth are not so much seen as imagined, not so much grasped as pursued" (Lavoie 1986: 16-17). I thank Quinn Slobodian for bringing this article to my attention.

scientific studies and opinions, the former could still improve the latter through the careful mediation of vulgarization and education.[31]

Towards a liberal scientism

To rescue a "liberal science" meant wresting the authority of science away from competing political projects for one's own purpose. The polemical use of scientism and its aliases served precisely this aim. Reciprocally, it demonstrated how much neoliberals and their opponents sought to capitalize on that authority in order to make their discourse more persuasive. Like the "men of science" or the engineers they criticized, early neoliberals believed in science as a way to access truth and an understanding and mastery of social phenomena. Both groups believed in the unity of the science and the universal validity of the scientific method: the social sciences, just as the natural sciences, were open to the same heuristic procedures and epistemological limits. What these procedures and limits covered, however, was the chief bone of contention.[32]

The first step towards a greater sophistication of a "science of liberalism" lay with a better understanding of institutions, both as evolutionary orders and as conventional frameworks. This invited a schizophrenic comprehension of their existence, as being both beyond intervention and primed for intervention. On the one hand, institutions were regarded as the spontaneous result of human action, not executions of human design.[33] On the other hand, they remained artificial

[31] "This special difficulty of the social sciences," writes Hayek, "is a result, not merely of the fact that we have to distinguish between the views held by the people which are the object of our study and our views about them, but also of the fact that the people who are our object themselves not only are motivated by ideas but also form ideas about the undesigned results of their actions—popular theories about the various social structures or formations which we share with them and which our study has to revise and improve. (Hayek 2010, 99)

[32] After reading *The Social Function of Science*, Hayek had written to Bernal that he found himself "in complete agreement on ultimate ends and almost as much in disagreement on the methods of social change which you propose" (quoted in McGucken 1984, 284).

[33] This is the classic formulation of the problem given by Hayek in his 1967 article: "The Results of Human Action but not of Human Design," republished in Hayek (2014, 293-303).

constructions which could be amended to reach some desired effect. At first, individuals are treated as mere cogs devoid of any agency – Rougier's "gas molecules" – because they are cognitively restrained by the epistemological leap entailed by the acknowledgement of complexity.[34] Thus institutions had to be checked through the spontaneous actions of individuals, and individuals through the organizing powers of institutions. Their virtuous ordering was both automatic and invisible. As such, Hayek closed the epistemological reach of rival theories hermetically, particularly those which sought to illuminate the non-spontaneous and visible causes and effects of the creation of institutions. This state of *chiaroscuro*, where the neoliberal theorist handled the searchlight, excluded the possibility for an individual or an institution to fully achieve a state of conscious self-reflexion.

At the same time, early neoliberals also conceived of the whole of life and society as miniature experiments requiring similar methodological precautions. Only through piecemeal engineering, through trial and error, may one increase the purchase of the social sciences over the complexity of society.[35] Therefore, social reform guided by science could only apply to limited and well-defined circumstances whereas social engineering on a large scale was "doomed to remain an Utopian dream" (Popper 2002c, 42). The theoretical social sciences offered no guide to social reform due to the intrinsic limitations of reason and the "impossibility of a rational social construction" (*ibid.*, 43). Holistic theories, despite appearing more scientific to the layman, were in fact less so because they did not take into account the uncertainty and indeterminism at work, the personal and tacit elements in knowledge, or the proper application of the scientific method.

[34] "Many of the greatest things man has achieved are the result not of consciously directed thought, and still less the product of a deliberately co-ordinated effort of many individuals, but of a process in which the individual *plays a part which he can never fully understand*" (Hayek 2010, 147; my emphasis).

[35] Popper writes: "The piecemeal engineer knows, like Socrates, how little he knows. He knows that we can learn only from our mistakes "(Popper 2002c, 61)

Between pure and applied science lay the neoliberal gap: a refusal to harness the progress of knowledge to social expediency. "Thus," Popper concluded, "the analogy between the physical and social engineering [...] turns against the holist and in favour of the piecemeal social engineer" (*ibid.*, 85). Unambiguously, early neoliberals sought to bring the scientific method to politics, but with a different scope than their counterparts. The pessimism which they held about the possibility to master our creations and actions on a large scale was at odds with their optimistic view of the progress of science and of the possibility of a liberal revival. Paradoxically, their epistemological "humility" did not lead to passivity, but to a renewed activism in reforming institutions according to their redefined epistemic functions.

Reframing the analogy between the organization of science and a model social order represented a second step. Early neoliberals tirelessly attested that the progress of science did not rely on a collective effort but on the "free competition of thought, hence on freedom of thought, ultimately in political freedom" (Popper 2002c, 83). The latter only had value insofar as it was bound to produce experimental results, and thus to secure an unencumbered process of trial and error. Controlling the human factor in science would destroy "the objectivity of science, and so science itself, since these are both based upon the free competition of thought" (Popper 2002c, 147). Early neoliberals claimed that interference and interventions in the goals of individuals would pervert the horizontal competition of ideas and thus impede the growth of reason. Direct control over the activities of the individual and the elimination of competition would signify the "end of truth" (Hayek 2007, 178). Polanyi, Hayek, and Popper, all embraced science as an ideal marketplace of ideas, one in which these social aspects of scientific research—decentralized authority, publicity, choice of occupation, low barriers to entry—guaranteed the objectivity of results, and provided, in the last instance, the most reliable justification for political freedom.

PART 2. KARL MANNHEIM AND THE SOCIOLOGY OF KNOWLEDGE

During the first years of the war, socialist scientists had been the main exponents of the kind of view which Popper, Polanyi, and Hayek considered antagonistic to theirs. Yet, at the same time, another important figure emerged as the main adversary to this trio: Karl Mannheim. The kind of "Utopian Social Engineering" against which Popper proposed his piecemeal approach originated in the thought of the Hungarian émigré. Mannheim was an eminent figure of the social science landscape of the 1930s, occupying a singular place during his two emigrations: Heidelberg and Frankfurt in the 1920s,[36] and London from 1933. Rescued by the Academic Assistance Council through the efforts of Harold Laski,[37] Mannheim obtained a readership in sociology at the LSE in London.[38] By 1942, he was being pushed out by the faculty: Robbins and Hayek of course loathed his grandiose theorizing of crisis and social scientific planning, and Morris Ginsberg, the LSE's Professor of Sociology, despised him.[39] Jean Floud, one of Mannheim's assistants at the LSE, noted the faculty's overall repulsion for Mannheim's "preaching at the large the gospel of salvation through sociology." His popularity with the students was equally disturbing to the faculty, as many

[36] After war and the failed revolutionary regime of Béla Kun, as well as Lukàcs sudden conversion to Communism, Mannheim left Hungary to study with Max Weber in Heidelberg in 1919. He enjoyed a great success in Germany and was appointed Professor of Sociology in Frankfurt in 1929, in the chair vacated by Franz Oppenheimer.

[37] In his history of the LSE, Dahrendorf reports that Laski and the Academic Assistance Council were close to recruiting the famous Frankfurt Institute for Social Research at the LSE, and that only last-minute objections from Robbins and Hayek over their Marxism prevented the move (Dahrendorf 1995: 290).

[38] The money for Mannheim's appointment at the LSE had been collected by Robbins and Beveridge. When Carr-Saunders was elected at the head of the LSE in 1937, the Rockefeller Foundation (who funded a lot of the social sciences at the LSE) asked for Mannheim to be relocated. He eventually obtained a lectureship at the University of London.

[39] Dahrendorf (1995: 295) refers to the "Mannheim-Ginsberg problem."

"reacted furiously to him [...] and considered him a charlatan who confused the young" (Floud 1979, 281).

Popper, Hayek, and Polanyi, all came in personal contact with Mannheim during his London exile. He is one of the most cited authors in their publications, as well as being personally known to them, both as a social scientist and a fellow central European refugee. His sociology of knowledge is Hayek's and Popper's main target in 'The Abuse of Reason project' and *The Poverty of Historicism* respectively. They perceived his sociology of knowledge and scientific politics at the opposite end to the neoliberal project, which sought to sever the link between theoretical knowledge and governmental expediency. Yet, the early neoliberal thinkers entertained paradoxical views of Mannheim's thinking, and a proper evaluation is made even more difficult by the fact that Mannheim's writings do not constitute a unified sum, but a dynamic process of adjustment between his theoretical ambition of a sociology of knowledge and the unfolding "crisis" of civilization which provided his material for analysis.

Undoubtedly, Mannheim was used both as a straw-man and as an "intellectual punching bag" for Polanyi, Popper, and Hayek (Pooley 2007: 371). Yet, he was their best enemy as well: an émigré like them, a very charismatic theoretician bridging the English and Continental intellectual worlds, and a self-avowed liberal attempting to find new theoretical grounds for the restoration of social order. His sophisticated analysis of the disintegration of Europe and the rise of Nazism contrasted with the neoliberal mantra blaming the rise of interventionism and collectivist ideas. Mannheim's predilection for rational planning as the way to save some modicum of liberal democratic order made him a conspicuous debater regarding the relevance and direction of the post-war social sciences. Last but not least, his distinctive outlook was anchored onto a sociological enquiry of the acquisition and use of knowledge within society, onto an epistemological framework which

combined determinism and freedom, and onto a preoccupation for the formation and persistence of social order; three areas patrolled by the early neoliberal output.

Epistemological elaborations: *Ideology and Utopia*

Karl Mannheim's intellectual output can only be understood in relation to the European context of the interwar period. In 1920s Germany, his project of a sociology of knowledge aimed at working out the factors of social disintegration which threatened to engulf the individual's psychology into destructive avenues opened by the quick transformation of modern society. Mannheim's early fame owed mostly to his 1929 opus *Ideologie und Utopia*, enlarged and published in English in 1936, wherein Mannheim gave a comprehensive overview of the sociological project he had initiated from the 1920s onwards. His sociology of knowledge looked conjointly at the "ready-made" historical situation, and the preformed cognitive dispositions encountered by the individual. Yet, the social and cultural determinants of individual thought, if explicative, did not suffice: the sociologist needed to look at the group dynamics within which the individual's knowledge developed. The sociology of knowledge, he announced:

> "seeks to comprehend thought in the concrete setting of an historical-social situation out of which individually differentiated thought only very gradually emerges. Thus, it is not men in general who think, or even isolated individuals who do the thinking, but men in certain groups who have developed a particular style of thought in an endless series of responses to certain typical situations characterizing their common position" (Mannheim 1936, 3).

Like the early neoliberals, Mannheim had diagnosed the crisis of liberalism as a symptom of a larger scientific crisis. His project entailed a critique of classical epistemology which had failed to take into account these "irrational foundations of rational knowledge" and to "recognize the social

character of knowing" (Mannheim 1936, 28, 29), two defaults which his sociology proposed to correct.

In his view, traditional epistemology had dismissed the social and collective determinants of individual knowledge, as if the individual had from the start been "isolated and self-sufficient," and "possessed in essence all the capacities characteristic of human beings, including that of pure knowledge, and as if he produced his knowledge of the world from within himself alone, through mere juxtaposition with the external world" (Mannheim 1936, 25). Mannheim's revision of classical epistemology in search of a new science of knowledge intersected with the neoliberal project in many ways. First, it acknowledged that pure knowledge did not exist outside of a social context of acquisition and transmission, and that cognition happened within a network of relations with peers and masters. Individual knowledge was necessarily partial and circumstantiated, dispersed among individuals and divided according to the task at hand. Secondly, paying attention to the unconscious dimensions of knowledge revealed its implicit and tacit aspects that were constitutive of the social order but that remained invisible to traditional epistemology and psychology. Since the genesis of knowledge was not contemplative but infused by practice, its unconscious orientation was shaped by the "community of knowing" into which it grew. Thirdly, the advancement of our scientific knowledge determined to a large extent our options for defining a social order. Competition between ideologies had relegated the possibility of a unitary worldview to the past: the marketplace of ideas had become the epistemological norm of Western democracies.[40] The foundations of Mannheim's sociology relied on the same epistemological assumptions as neoliberals: knowledge was dispersed, tacit, and yet, ordered. All this pointed to the same crucial insight: the acquisition of knowledge was a collective process which conditioned

[40] On this specific topic, see the key essay "Competition as a Cultural Phenomenon" first published in 1929; republished in Mannheim (1952, 191-229).

our vision of social order, and different epistemologies necessarily entailed different ideal, or "utopian," social order.

Elaborating on Marx's insight, Mannheim took ideology to alter yet cohere political thinking by giving it a direction or a style, as in liberalism or conservatism.[41] Ideologies were cognitive structures carrying implicit "ontologies" and "epistemologies:" each ideology linked knowing and acting in its specific way, yet could not be comprehended in isolation, without looking at the totality of the ideological field. Mannheim's definition of a liberal as one who "seeks to understand how things are rationalized and subject to purposive control" was opposed to the sceptical and pessimistic outlook of conservatives.[42] He defined liberalism as a thought-style which specifically aimed at integrating scientific knowledge in order to bridge the gap between *theoria* and *praxis*. On the one hand, social scientists who had been initiated to the vicissitudes of ideology provided a special class of thinkers capable of producing a scientific politics, detached from their immediate currency: "A new type of objectivity in the social sciences is attainable not through the exclusion of evaluations but through the critical awareness and control of them" (Mannheim 1936, 5). On the other hand, mass education helped diffuse a scientific literacy and sensibility which legitimated their position as interpreters of their own social conditions. It is no coincidence that Mannheim's sociology of knowledge attracted the attention of Hayek, Popper, Polanyi, but also of Wilhelm Röpke (1950[1941], 159) and Raymond Aron (1957[1935]). In large part, this was due to its critical stance on existing political traditions, and its ambition to correct their ideological distortions in order to achieve an "authentic" political knowledge. Crucially, his sociology of

[41] See Mannheim's work in *Conservatism. A Contribution to the Sociology of Knowledge* which constituted the most advanced application of his model of a sociology of knowledge to a specific ideology (Mannheim 1986[1925]).

[42] Karl Mannheim wrote to fellow Hungarian émigré Oscar Jaszi: "To carry liberal value forward with the help of the technique of modern mass society is probably a paradoxical undertaking; but it is the only feasible way, if one does not want to react with defiance alone." Letter Karl Mannheim to Oscar Jaszi, 8 November 1936; quoted in Kettler and Meja (1995, 18).

knowledge rested on the idea that a new epistemological framework was needed to inform our understanding of theory and practice: what we could do really depended upon what we could know.

Nonetheless, Mannheim's solution remained antagonistic to the early neoliberal sceptical epistemology. He envisioned with optimism the coming of sociologically-informed politics which could overcome the irrational elements present in each ideology. This task belonged to the "free-floating intelligentsia," to whom he conferred a privileged epistemic position. Only this specific constituency was in a position to achieve a synthesis of the common denominators present within the various thought-styles, thus actualizing the emancipatory mission of sociology (Mannheim 1936, 136ff). His own experiences as a Hungarian refugee in Germany undoubtedly informed such a perspective. Yet, the peculiar history and context of England, whose traditions Mannheim, like many early neoliberals, would come to value, provided him with an impetus to transform his earlier project.[43] He reoriented his earlier vision of the catalytic political mission of the intelligentsia towards the mobilization of elite groups for the planning of a rational order.

Karl Mannheim: *frère ennemi* of wartime neoliberalism

Mannheim's direct influence over fellow scientists in England, and more widely, upon different spheres of society, should not be underestimated. He participated in many formal and informal groupings, often being valued for his singular perspective marrying a great erudition and a vast knowledge of Continental theory. Between his arrival in London in 1933 and his death in 1947, Mannheim combined his earlier sociology of knowledge with a dark assessment of the course of

[43] Kettler and Meja explains that: "Instead of counteracting universal distrust, the sociology of knowledge now had to unsettle self-assurance, to foster a sense of crisis that could lead this comparatively intact elite to look to the sociological teachings of an outsider like himself for diagnostic and therapeutic help" (Kettler and Meja 1995, 6).

European history, where the safeguard of freedom could only be achieved through thorough planning, lest the masses fell for totalitarian ideologies.

Like the early neoliberals, Mannheim blamed classical liberalism for refusing to intervene in order to counter the social disintegration of industrial societies. Liberalism had been incapable of solving "the problems of mass society," its "planlessness" and the "principle of *laissez-faire*" had led to "anarchy" and "chaos" (Mannheim 1940, 4). In its place, "there is no longer any choice between planning and *laissez-faire*, but only between good planning and bad," controlled democracies or totalitarianism (*ibid.*, 6):

> "the disastrous situation in which we find ourselves cannot be diagnosed, let alone remedied, merely by repeating the classic liberal argumenta, with their relatively undeveloped sociology, and applying analyses which were only valid at a former stage of social development and for a completely different structure" (*ibid.*, 9).

Here, Mannheim addressed precisely what the early neoliberals had identified themselves as being the main deficiencies of liberalism: a lack of sociological imagination, a dogmatic refusal to embrace some measure of institutional planning, and an outdated psychology. Crucially, they agreed that liberalism relied on an outdated understanding of freedom, one fitting to a time past.

Like Waddington, Mannheim assumed that saving liberalism meant embracing the necessity of planning with the help of the latest innovations in social theory. When he applied for a Rockefeller grant in 1933, he explained that he observed a conjunction between "an era of the most highly perfected technical rationalization and planning and social-political forces that will lead to the dissolution of all forms of culture and a universal reversion to barbarism" (quoted in Kettler and Meja 1995, 179). He proposed to study the maladjustments to the individual psychology brought by the clash between the principles of *laissez-faire* and planless regulation. He thought that the crisis of liberalism and of civilization compelled scientists to devise a "good" way of planning

through mass communication and mass control in order to salvage as many of the liberal values as possible: Nazi and Soviet totalitarianism merely represented indispensable planning gone wrong. In doing so, Mannheim and the SRS movement were veering towards the same conclusions: that scientific thought, being a product of society, had to serve society in return.

In *Man and Society in an Age of Reconstruction*, Mannheim devised the idea of "planning for freedom" (Mannheim 1940, 239) as a way to pre-emptively safeguard Western civilization from totalitarianism. Liberalism, he thought, could only be rescued through a positive understanding of its mechanisms of integration, which could then be strategically reoriented towards a therapeutic reconstruction of society. In that process, Mannheim shifted from a catalytic function of sociology at the service of scientifically-informed politics, towards its necessary instrumentalization by a planning elite in order to thwart social disintegration (Kettler and Meja 1995, 148). He believed that traditional elites ought to embrace the remedies to his sociological diagnosis of their failures: to use this new social scientific knowledge in conjunction with the modern techniques of psychology and propaganda to manipulate mass opinion (Mannheim 1937; 1940, 274ff). In his mind, "intellectuals are to bring about what liberal ideology had claimed for the marketplace of ideas and parliament—except that they understand and show what needs to be done in a world that is far more complex, irrational and activist than the world projected by liberalism" (Kettler and Meja 1995, 84). Liberal planning represented a *principia media* which bridged the various disciplines of the social sciences and looked towards pragmatism, behaviorism and psycho-analysis to achieve its rational interventions and therapies.[44] For Mannheim, planning represented

[44] Mannheim had become less critical of behaviorism as the years went by. He had addressed a sharp rebuttal of its methods in *Ideology and Utopia*: "this reduction of everything to a measurable or inventory-like describability is significant as a serious attempt to determine what is unambiguously ascertainable and, further, to think through what becomes of our psychic and social world when it is restricted to purely externally measurable relationships. There can no longer be any doubt that no real penetration into social reality is possible through this approach" (Mannheim 1936, 39).

an overcoming of the previous level of social determinism, and, in line with his historicism, emancipated the present time from the irrational disruptions embodied in totalitarian mass movements.[45]

In many ways however, Mannheim was unlike socialists or communists: he worried that democratization had destroyed high culture through blind egalitarianism and the exclusion of cosmopolitan elements. In his view, the preservation of a cultivated sphere was essential for mediating between a plural sphere of intellectual creation and the general population. The development of unplanned sectors and the apathy of classical liberalism to foresee structural changes had undermined the "structural reproduction of cultural elites and their publics in favor of a vicious symbiosis of leaders and masses" (Ketter and Meja 1995, 179). To remedy civilization's illness, therapeutic planning, based on strategic interventions, was the only way to preserve liberal values and pacify the various factions: "As we understand it, planning is foresight deliberately applied to human affairs, so that the social process is no longer merely the product of conflict and competition" (Mannheim 1940, 193). Moreover, democratization carried inherent risks which only scientific literacy and governmental rationalization could check. The political element of society had to be reduced to enable a wider acceptance of planning (*ibid.*, 360) through a policy of welfare compromise and progressive equalization.[46] For Mannheim, the desire for control and the desire for freedom were one and the same. For this purpose, Mannheim thought it possible to access the very substance of a true historical knowledge, one able to overcome its historical determination. A "complete and adequate knowledge of society" (*ibid.*, 28) which he thought, against Hayek, possible and desirable, allowed for decisive social experiments to be carried out. If

[45] Mannheim describes, as a general model, the evolution of our modes of control in three stages: from chance discovery, to invention, to planning (Mannheim 1940, 147ff, 369ff).

[46] As a check to *polarization*, Mannheim reckoned that the legitimacy of liberal government presupposed traditions independent of government (Kettler and Meja 1995, 269).

"half-hearted techniques" had led to the "enslavement of mankind," "fully considered" ones were the key to "a higher level of freedom" (*ibid.*, 369). Contrary to the early neoliberals, Mannheim envisaged the progress of the social sciences as allowing better political knowledge and interventions (as the two were intrinsically linked) for the sake of preserving social order.

Popper's critique

Karl Popper's *The Poverty of Historicism* in many ways constitutes "a brief against Mannheim" (Pooley 2007: 376). In it, he writes that Mannheim's *Man and Society* "is the most elaborate exposition of a holistic and historicist program known to me and therefore singled out here for criticism" (Popper 2002c, 62n16). Despite its late publication in book-form in 1952, it did not constitute an appendix to the more famous *The Open Society and Its Enemies*, written afterwards but published beforehand in 1945, nor an indictment of Cold War Soviet Marxism. The book originated in the 1930s after the publication of *The Logic of Scientific Discovery*, and the first two parts were ready by 1936 when Popper participated in Hayek's seminar in London (see *supra*). Popper's attacks against Mannheim were skewed because his definition of "historicism" did not cover what Mannheim had long elaborated under the same term, and which represented the more conventional interpretation of the term. For Popper, historicism meant any "approach which makes *'historical prediction'* the principal aim of social sciences" while upholding the belief in the existence of laws and trends which underlie the evolution of history (Popper 2002c, 2-5). He concluded that "the historicist claims that sociology is theoretical history" (*ibid.*, 35). However, Mannheim's own conception of historicism (cf. Mannheim 1952, 84-133), stemmed from the classical definition of the term and had little to do with Popper's insistence that historicism dealt with laws of historical development so as to allow social predictions. On the contrary, the central thesis of historicism was that "no product of human culture could be analyzed and understood in

a 'timeless' fashion; interpretation had to begin by ascribing to each product a temporal index, by relating it to a period-bound 'style.'" It implied thus "a complete relativism as regards values" and "prohibited the direct application of any value standard one held valid for oneself, as a private person, when talking about past ages" (Kecksemeti 1952, 6).

Now that the incompatibility of Mannheim's and Popper's definition of historicism has been clarified, let us turn towards Popper's critique of Mannheim's later views. Popper reproached Mannheim for uncovering the "social determination of scientific knowledge" (Popper 2013[1945], 420) which annihilated the basis of free discussion and controversy, and the quest for scientific objectivity. The pedigree of a theory, argued Popper, is irrelevant to its validity or truth-value (Popper 2002c, 124-6) and scientific objectivity ought not to depend upon the position of the scientist (*ibid.*, 144). Here as well the analogies between physical and social sciences had to be reframed: "Wholes in Karl Mannheim's sense are *not* scientific whereas wholes as *Gestalt* are" (*ibid.*, 76). The holistic mode of thinking – "thought at the level of planning" – Popper concluded, was "pre-scientific" and a "totalitarian intuition," given that one can never grasp the "concrete structure of social reality itself" (*ibid.*, 69, 74, 72). This form of "utopian planning" was methodologically false and scientifically impossible.

Equally mistaken in Popper's view was Mannheim's concept of knowledge and he, like Polanyi, answered by emphasizing the personal elements of scientific knowledge and discovery, a theme which is not at all present in his previous *Logic*: "What the "sociology of knowledge" overlooks is [...] the fact that it is the public character of science and of its institutions which imposes a mental discipline upon the individual scientist, and which preserves the objectivity of science and its tradition of critically discussing new ideas" (*ibid.*, 144). The goal of a higher synthesis of dormant elements by an intelligentsia contradicted the epistemological process of scientific discovery, which remained always partial and subject to modification. It did not take into account neither the

uncertainty of the personal element nor the uncertainty intrinsic to the scientific method (*ibid.*, 63). By extension, the belief into such a synthesis would pave the way for a "utopian social engineer" to design a new canvas for state and society together (*ibid.*, 62), one for which Mannheim had provided a most elaborate blueprint. For Popper, historicism and planning, if wholly accepted, would let epistemology and methodology run loose, wherein no authoritative method could adjudicate rival scientific explanations. The authority of science—if misused and extended to the rest of society—would be lost to political expediency.

Here, Hayek's slippery slope argument was anteceded by Popper's own, where one slides from the sociology of knowledge towards utopian planning. Popper, Hayek, and Polanyi effectively argued that scientific knowledge was a socially determined process, yet an intersubjective and rational one, rather than the result of social conditioning. Their philosophy of science, valuing the anonymous process of science as independent from the scientist's social position, was in effect an answer to Mannheim's materialist sociology of knowledge: objectivity was neither a social condition nor a psychological state, but a relational process dependent upon practice. Whereas Mannheim supplemented the defective liberal epistemology with his sociological analysis, early neoliberals rejected the project of a sociology of science, amending their liberal epistemology in order to incorporate its sociological critique. In other words, socializing epistemology neutralized the dismantling of science by the sociology of knowledge.

Hayek's critique

As I have claimed earlier, Hayek understood scientism as the belief that a complete embrace of social reality is possible, and that such knowledge can be used to intervene and engineer solutions to social issues. The dual aspect of scientism—comprehensive social knowledge on the one hand and engineered social interventions on the other—were both epitomized in Mannheim's *Man and*

Society in an Age of Reconstruction (Mannheim 1940). For Hayek, Mannheim's sociology of knowledge was scientism's latest avatar, one in which an apprehension of the mechanisms of thought would allow the theoretician to predict its development. It thus stood at the opposite end to his call for liberal science to focus on the formation and maintenance of spontaneous orders:

> "According to the views now dominant, the question is no longer how we can make the best use of the spontaneous forces found in a free society. We have in effect undertaken to dispense with the forces which produced unforeseen results and to replace the impersonal and anonymous mechanism of the market by collective and "conscious" direction of all social forces to deliberately chosen goals. The difference cannot be better illustrated than by the extreme position taken in a widely acclaimed book on whose program of so-called "planning for freedom" we shall have to comment yet more than once" (Hayek 2007[1944], 73).

Hayek's subjectivism and methodological individualism strongly rejected that such an objective account of social knowledge could be anything substantive. He reckoned that the enterprise of a sociology of knowledge was deleterious to a 'humble' understanding of individual motives and opinions. It also debased truth, making it an accessory of social and economic conditions, instrumental to the kind of control Mannheim demanded.

Like Popper, Hayek sought to resist the 'sociological imperialism' of socialism inspired by Auguste Comte, that is to say the "organization of society and the laws of the evolution of the human mind which are supposed to require the use of the results of all the other sciences" (Hayek 2010, 263). The project of sociology as theoretical history was for Hayek methodologically flawed, deceiving the scientist as to the actual reach of his explanation, as if "the phenomenon of mind are in the same sense given as objective things, and subject to external observation and control as physical phenomenon." Taking direct aim at Mannheim, Hayek wrote that: "This idea that the human mind can [...] lift itself up by its own bootstraps, has remained a dominant characteristic of most sociology to the present day, and we have here the root [...] of that modern hubris which has found

its most perfect expression in the so-called sociology of knowledge" (*ibid.*, 270). Hayek profoundly disliked the objectification of the human mind by sociology, whereby knowledge was regarded as 'relative' and 'conditioned' by external factors only accessible to the social scientist. Postulated as the foundation of spontaneous orders, the "constitutional limitations of the individual mind" (*ibid.*, 153), if respected, solved the problem of coordination and integration Mannheim was hinting at with scientific planning. Nonetheless, the possibility of grasping the human mind as if from the outside was only one part of the issue. The second one lay in Mannheim's insistence that knowledge without practical use did not have any value (*ibid.*, 273). Mannheim's project, which Hayek read through *Men and Society in an Age of Reconstruction*, exposed the risk of a "scientific government" submitted solely to the laws of nature and their practical uses. Best expressed by Bernal, freedom then became solely the "recognition of necessity" in a history conceived as a fixed teleological process (*ibid.*, 296).

Paying attention to the chronology of Hayek's writings, I maintain that Mannheim's sociology of knowledge constituted the first target of Hayek in *The Counter-Revolution in Science* prepared in the year 1940, while the socialist scientists became more and more important from this year onwards, as the letters to Polanyi and Machlup, as well as the article published in *Nature*, testified. In the *Counter-Revolution of Science*, Hayek posited Mannheim as the true inheritor of Saint-Simon, whom he perceived above Marx as embodying the true essence of socialism (Jones 2012). In "Comte and Hegel," Hayek made the two philosophers the principal sources of inspiration for the sociology of knowledge, sociology's "most fashionable and most ambitious branch" (Hayek 2010, 289). Popper and Hayek both depicted Mannheim as a hubristic scientist who attributed to himself the powers of reason and foreknowledge he found in his science. The sociologists of knowledge, Hayek wrote: "have indeed regularly some special theory which exempts their own views from the same sort of explanation and which credits them, as a specially favoured class, or simply as the

'free-floating intelligentsia', with the possession of absolute knowledge" (Hayek 2010, 152). Mannheim himself however was always careful to relativize the reach of the sociology of knowledge and of its totalizing ambition, and his method of social genesis undermined any claim to total knowledge (Pooley 2007, 376n35). The free-floating intelligentsia were never proposed as some kinds of super-minds but rather a category presenting some sociological traits which allowed them to detach themselves from their immediate ideological environment. Ironically, the situation which Hayek identified as the hubris of the sociologist would be the position he aimed at occupying within the Mont-Pèlerin Society, thereby reversing the sociological categories brought in by Mannheim to his advantage.[47]

Hungarian connections

Michael Polanyi had been in contact with Mannheim from his time in Budapest and had followed his career in Germany and then England with keen interest. Both had emigrated twice at the same time: in 1919 from Hungary to Germany, and in 1933 from Germany to England. Mannheim and Polanyi had been personally acquainted in Hungary, both belonging to the small yet effervescent Budapest Jewish liberal elites which would be scattered after the political events of 1918-1919 (Congdon 1991). Around the same time, Michael Polanyi met Karl Mannheim and Georg Lukács in a Sunday circle led by Béla Balázs, to discuss ethical problems in literature (Hull 2006, 145). The circle members were often invited to the Polanyi home where Karl's and Michael's mother Cecile had "established a salon to which she would invite the brightest lights of the Budapest intellectual scene, showcasing new talents and artistic movements" (Dale 2009: 99). There is no trace of Polanyi and Mannheim being in contact between their emigration from Hungary and as late as

[47] This leads to the embrace of a posture of "double truth" from neoliberals where the theorists benefit from a special dispensation of the constitutive limitations they impose on others (see chapter 5; Mirowski and Plehwe 2009, 445; Mirowski 2013, 65ff).

January 1944 when Polanyi sent Mannheim a book proposal for Mannheim's collection at Routledge titled "The International Library of Sociology and Social Reconstruction."[48] In the exchange of letters that ensued, Polanyi admitted he felt "very much the loss of never meeting" with Mannheim as their views were "in closer harmony now than they were at earlier times."[49]

This naive view would soon be corrected after the two men met in April 1944 in London. Thanking him for the visit, Polanyi dissented that he could not "agree with your [Mannheim's] use of this word [planning] in your phrase 'Planning for Freedom'." The only sense in which the word planning can be used, continued Polanyi, "is to designate by it discriminative dispositions concerning an aggregate of particulars. Indiscriminate dispositions over an aggregate of particulars on the other hand should not be called planning but simply legislation – law being a generalised command, as distinct from specific (executive) commands."[50] The early neoliberal distinction between law and legislation was thereby recovered by Polanyi against Mannheim's attempt to instrumentalize social institutions – and all kinds of law – for interventionist purposes. Polanyi, like Popper and Hayek, considered Mannheim's conception of planning in the same light as the ones propounded by Bernal and the Social Relations of Science movement.

The distance between Polanyi and Mannheim on their conception of the sociology of knowledge expressed this essential difference in outlook. Mannheim's sociology of knowledge constituted a disenchanting and reflexive project that uprooted the individual's self-image from tradition and

[48] Polanyi outlined in his letter his plan for the publication of a volume which would include five of his previously written essays as well as an introductory paper "summarising the ideas which they introduce and exemplify." In his response, Mannheim asked Polanyi to attach "a brief statement which would somehow explain the unity of the book" and confessed that he was "always very much interested in your [Polanyi's] essays" and "looking forward to their reading in the new setting." Letters Michael Polanyi to Karl Mannheim, 10 January 1944, and Karl Mannheim to Michael Polanyi, 14 January 1944, reproduced in Gábor's edition of Mannheim correspondence as letters #240 and #241 (Gábor 2003, 309-310).

[49] Letter Michael Polanyi to Karl Mannheim, 1 February 1944; letter #242 in (Gábor 2003, 311)

[50] Letter Michael Polanyi to Karl Mannheim, 19 April 1944; letter #244 in (Gábor 2003, 313).

fashioned a skeptical and detached intellect, exemplified by the "socially unattached intellectual." Polanyi's own epistemology also doubled as a social theory, one that highlighted, by contrast, the grounding of knowledge in the social relations of the scientific community itself. Despite his own analysis of "trust, authority, and tradition" in science, Polanyi maintained that any sociological account of knowledge remained partial and limited. In this same autobiographical letter to Mannheim in 1944, he wrote:

> "As regards the social analysis of the development of ideas, suffice to say that I reject all social analysis of history which makes social conditions anything more than *opportunities* for a development of thought. You seem inclined to consider moral judgements on history as ludicrous, believing apparently that thought is not merely conditioned, but determined by a social or technical situation. I cannot tell you how strongly I reject such a view."[51]

Polanyi had already attacked the ideas of social determinism in his struggle against the Marxist-inspired history and sociology of science (see chapter 1). "The realm of thought," Polanyi wrote in *The Contempt of Freedom*, "possesses its own life" meaning that "freedom is not only made possible, but its institution becomes a social necessity" (Polanyi 1940, 11). Whereas Mannheim perceived institutions as explicitly designed to serve social ends, Polanyi was guided by the intuition that they were the repository of human principles cultivated without regard for their immediate uses, each of them upholding a particular ideal (e.g. the Universities, the Law Courts, the Churches, the Press) (Polanyi 1940, 39-40). In the same letter, Polanyi suggested that his social vision came together as he began to understand and appreciate the British tradition of civil liberties for preserving standing authorities against the omnicompetence of the State, as exemplified in academic freedom. For him, planning was antithetical to liberalism because it threatened the constitutive role of public liberties, *supervised*, rather than *planned*, by the state.

[51] Letter Michael Polanyi to Karl Mannheim, 19 April 1944; letter #244 in (Gábor 2003, 314).

Polanyi considered Mannheim's sociology of knowledge hostile to the restoration of dynamic orders rooted in the personal knowledge of individuals (Mullins and Jacobs 2005: 24).

In his reply, Mannheim dismissed Polanyi's view as being laid upon "moral grounds" and not upon a "scientific attitude."[52] For Mannheim, the project of a sociology of knowledge could not be rejected off hand because of its potential nihilistic effects. Despite the difference in their views, Mannheim was inclined to see Polanyi as occupying a specific position on the spectrum of intellectuals, one which further inquiries into their social and economic backgrounds, especially drawing out on Polanyi's religious commitments, would help elucidate. In his response, Polanyi sought to clarify this "crucial" point.[53] He conceded that the alternative interpretations of history in the vein of Marx "cannot be disproved," but led those who believed in the determinism of history unable to commit to any ethical ideal. Polanyi wrote, anticipating his exposition of the tacit dimension, that "there remains fixed a deeper secret pivot of faith, round which we keep revolving; we follow throughout a code of duty of which we are so unconscious that we could not formulate one singly syllable of it."[54] In other words, meaningful human agency always springs from unarticulated basic convictions, a set of commitments that the sociology of knowledge cannot account for. The cost of sociological transparency would be the fall into utter cynicism and inaction over the course of history.[55]

[52] Letter Karl Mannheim to Michael Polanyi, 20 April 1944; letter #245 in Gábor (2003, 316).

[53] Letter Michael Polanyi to Karl Mannheim, 2 May 1944; letter #246 in (Gábor 2003, 317).

[54] Letter Michael Polanyi to Karl Mannheim, 2 May 1944; letter #246 in (Gábor 2003, 318).

[55] This fiduciary framework of knowledge and the primacy of beliefs over facts would find their complete expression in Polanyi's *Personal Knowledge* where he writes: "We must now recognise belief once more as the source of all knowledge. Tacit assent and intellectual passions, the sharing of an idiom and of a cultural heritage, affiliation to a like-minded community: such are the impulses which shape our vision of the nature of things on which we rely for our mastery of things. No intelligence, however critical or original, can operate outside such a fiduciary framework" (Polanyi 1958, 266).

The Moot

This opposition between Polanyi's and Mannheim's views of the future of liberalism materialized through their joint participation to The Moot, a Christian discussion circle initiated by the Scottish ecumenical missionary J. H. Oldham and attended by T.S. Eliot.[56] The Moot began meeting before the War started, but soon its seminars would focus on the post-war reconstruction and the potential role that the Christian church and laypeople would play in it. Discussions revolved around "the topic of *order* and, more particularly, around the problem of how order might be restored in British society and culture in the context of a 'world turned upside down'" (Mullins and Jacobs 2006: 147). Mannheim was its most active member and authored a number of papers for the group. There, his views about "social planning in a democracy as an alternative to bureaucratic totalitarianism" enjoyed substantial support (Mullins and Jacobs 2005: 28). In Mannheim's view, the Moot, as the representation of the English gentility, crystallized his hopes for a coordination of the elite: the question of "who will plan the planners," which he had hinted at in *Men and Society*, found an answer in the figure of the English gentleman, as Mannheim himself grew more sensitive to the positive role of religious beliefs (Pooley 2007: 374).

Therefore, Mannheim began to acknowledge the decisive role that traditional values could have for the success of a planned society: the "new social knowledge" did not have to transgress and dismiss all established beliefs, in the way of Comte and Saint-Simon, but could "inform, revitalize, and concretize the beliefs beyond knowledge upon which traditional values rest, and the reoriented elite must then point its control in new directions" (Kettler and Meja 1995, 259). This

[56] Mullins and Jacobs (2006: 147) explains that: "the discussions of the Moot revolved around the topic of *order* and, more particularly, around the problem of how order might be restored in British society and culture in the context of a 'world turned upside down'. Oldham and most members of the group sought a central place for Christian ideas and ideals in British social life." For the relationship between Mannheim and Polanyi, see Mullins and Jacobs (2005). For the Moot in general, see Keith Clements' biography of J. H. Oldham (Clements 1999) and his edited publication of The Moot's papers (Clements 2015).

process was instrumental to the restoration of a social order combining elements of large-scale planning and individual freedom. Yet, Mannheim was disappointed at the lack of initiative displayed by the group, and reproached Oldham for the rather contemplative turn the discussions took. While a part of the Moot favored Mannheim's activism, Eliot for instance preferred the idea of an intellectual rather than political form of action (Kojecky 1971, 176). Disappointed, Mannheim subsequently turned his attention towards Chatham House, the editorship of his Routledge collection, and the Institute of Education where he became a lecturer in 1943 (Kettler and Meja 1995, 265).

This effacing trajectory contrasted with the rising influence of Polanyi inside the group as the latter "better captured the changing interests of the Moot" (Kettler and Meja 1995, 267). Following his "conscience,"[57] the long-standing member Mannheim had invited Polanyi to the June 1944 meeting for the discussion, although he was conscious of their divergent opinions.[58] As the other special guest (Philip Mairet) to the meeting remembered, the opening discussion occasioned a "ding-dong battle between Polanyi and Mannheim, the latter being taken by surprise at Polanyi's demonstration of the intuitive and traditional element of all vital scientific discovery" (Kojecky 1972, 155). Their divergence within the *Moot* was epitomized around a paper by T. S. Eliot prepared for the next meeting, for which the latter had asked both Mannheim and Polanyi for comments.[59] Their contributions addressed a common problem: what ordering of society, and in particular its intellectual strata, is most propitious for the vitality and transmission of culture? All

[57] Letter Karl Mannheim to Michael Polanyi, 29 June 1944; letter #251 in (Gábor 2003, 320).

[58] Mannheim wrote to Polanyi: "I believe too much in the creative power of a real discussion as to be afraid of rival views. The next period of history is one of the cross-fertilization of Ideas – so important after a phase of dogmatism. Personally I felt I can trust you. I believe in you and know that you deeply mean what you say" Letter Karl Mannheim to Michael Polanyi, 29 June 1944; letter #251 in (Gábor 2003, 320).

[59] See Mullins and Jacobs (2006) and the special dossier compiled in the *Journal of Classical Sociology* (volume 6, issue 2) for the papers of Eliot, Polanyi and Mannheim as well as Eliot's short answers to both responses. These different texts are all given here under the same reference (Mullins and Jacobs 2006).

three thinkers valued tradition as a most important element for the cohesion of culture, yet assigned different functions to the elite in charge of upholding and transforming it. Eliot's opening paper proposed a revaluation of the concept of "clerisy"—a term he borrowed from Coleridge—which is composed of "a heterogeneous number of peculiar individuals of various classes" (Mullins and Jacobs 2006: 156); clerics who are "driven to each other's company by their common dissimilarity from everybody else, and by the fact that they find each other the most profitable people to disagree with, as well as to agree with" (*ibid.*: 159). In line with the orientation of *the Moot,* Eliot attempted to distinguish various groups of intellectuals and their potential role in maintaining standards of culture in a mass society.

In his response, Mannheim perceived the clerisy as a form of non-partisan vanguard intelligentsia which, owing to their position, could breach old conventions and seek new possibilities. Planning entailed a revaluation of old traditional beliefs to achieve a controlled direction of the masses: "Planning for freedom means so to organise that the organisation itself should establish within its own cosmos those rules and unwritten laws which protect the solitary thinker, unorganised thought, the attempt at transcending established routine, and conventionalisation against the impact of the stereotyped mind" (*ibid.*: 168). Yet, Mannheim was willing to grant a more than positive role to tradition as long as it remained a creative force and not a stultifying one in the fashion of Bonald or de Maistre (*ibid.*: 165). The elite was in a unique position to further high culture in its traditional framework, while directing its dissemination to achieve some modicum of social cohesion and participation from lower strata. A sociologically self-conscious "clerisy" would thus achieve a horizontal "need for the existence of closed groups in which new ideas find time to mature before they are thrown into the open market" while its "outstanding task" remained "the establishment of new forms of personal contacts between living groups and individuals who have the powers of inspiration" (*ibid.*: 168).

Michael Polanyi, on the other hand, valued the continuity of the Western mental heritage for which the clerisy had to be the recipient, making it a "dedicated society" guided by tradition and faith. While Mannheim and Eliot understood the clerisy as a generalist élite akin to traditional intellectuals, Polanyi insisted that specialization had disseminated traditional authority into the hands of a "miniature society of experts" (*ibid.*: 173). A specialist clerisy, like the one of science, constituted an "organ of society for the cultivation of certain realms of thought, and represents to the same extent a token of the dedication of society as a whole" (*ibid.*: 173). Polanyi's posture on tradition (see *infra*) relied more on "personal transmission" (*ibid.*: 172) than on organization, a sharing of a faith into specific kinds of validity supported by a "common mental heritage" embodied by the specialized clerisy dedicated to it. It made "every recognition of truth [...] both a spark of faith and an element of social loyalty" (*ibid.*: 174). Polanyi's response to Eliot is very much in line with his previous writings in which the liberal polity is sustained by various specialist orders, each with its own tradition and faith in shared methods of inquiries and ideal aspirations. Whereas truth in Mannheim can be achieved by the social scientist through a kind of decentering from his initial position, Polanyi remained committed to the fact it could solely be found at the level of personal beliefs, in a "dark heart" which no sociological light can penetrate.

Towards a liberal sociology of knowledge

Mannheim had written in 1924 that: "we may assert that the vital and the practical as well as the theoretical and intellectual currents of our time seem to point toward a temporary fading out of epistemological problems, and toward the emergence of the sociology of knowledge as the focal discipline" (Mannheim 1952, 136). On the contrary, early neoliberals wished to rescue epistemology from its absorption into history and sociology. They battled the claim that history and sociology alone provided an satisfactory account of the production of knowledge. The validity

of abstract laws relied on insulating the social process of science from its colonization by sociology by formalizing its methodological rules and conditions. This defensive position worked hand in hand with the formulation of an adequate political framework which would guarantee that the authority of science remained solely in the hands of qualified scientists and the "scientific community."

For early neoliberals, the work of science represented an attempt at escaping historical determinism and at reaching a knowledge which was truly cumulative. Yet, they agreed or conceded that the social element of knowledge was decisive to its constitution, and that the social and political conditions of scientific work did in fact account for the achievement or failure of scientific progress. The development of liberalism and the diffusion of the scientific method or mindset were co-constitutive, and both histories could be told as a reciprocal awakening. They both respected the role of traditions, acknowledged a plurality of opinions, and devised a method of solving conflicts. For instance, Popper wrote at the end of his *Poverty of Historicism* that:

> "Scientific method itself has social aspects. Science, and more especially scientific progress, are the results not of isolated efforts but of the *free competition of thought*. For science needs ever more competition between hypotheses and ever more rigorous tests. And the competing hypotheses need personal representations; as it were, they need advocated, they need a jury, and even a public. This personal representation must be institutionally organized if we wish to ensure that it works, And these institutions have to be paid for. Ultimately, progress depends very largely on political factors: on political institutions that safeguard the freedom of thought; on democracy" (Popper 2002c, 143).

Liberalism and science both embraced a critical conventionalism as their epistemological compass, in which the processes of trial and error, discovery and criticism, tradition and innovation, could be regulated and arbitrated through formal laws, the dynamic interaction of participants, and an acknowledged source of authority. The analogy of the market seemingly guaranteed the better outcome in a situation of cognitive limitation. However, early neoliberals in general, and Polanyi

in particular, proposed different characterizations of science in which the sacred and the profane are superimposed: between science as a congregation of the faithful and science as a marketplace of ideas (Thorpe 2009: 66).

Nevertheless, Mannheim could be considered as the most potent intellectual adversary of the neoliberals because he advertised planning not as a rejection of liberalism, but as its most advanced continuation, in line with scientific modernity.[60] Mannheim's main question "was whether sociology can provide the integral and comprehensive practical knowledge required by liberalism to survive the disruptive irrationalities first anticipated by its critics and then brutally realized in the events of the 20th century" (Kettler and Meja 1995, 317). Like the early neoliberals, he argued against "objectivism and the notion of scientific detachment while attempting to save the possibility of valid knowledge that is not subjective" (Nye 2011, 282). While their political conclusions radically diverged, neoliberals shared a substantial number of commitments with Mannheim: first among them, the acknowledgment that knowledge is socially produced and circulated.

But Mannheim was also committed to the safeguard of the liberal values and the instrumentality of democracy to achieve a workable order. Planning, he defended, helped to secure the social space where spontaneity can have free play (Kettler and Meja 1995, 271). Mannheim's sociology of knowledge and analysis of totalitarianism entailed a decisive role for the intelligentsia in the

[60] Nye perceptively notes that: "What distinguishes the first generation from their intellectual children and grandchildren is that Polanyi's generation – Mannheim included – felt a deep reverence for natural science and mathematics. These intellectuals shared a conviction of the transcendence and the universalism of scientific thinking – a conviction found equally in the tenets of logical empiricism and in the Vienna Circle, just as it is found in Popper's philosophy of critical rationalism. This view of science was rooted in this first generation's common culture of the 1930s." (Nye 2011, xx). In a broadcast to the BBC in 1944, Polanyi admitted that: "My generation—the generation of modern intellectuals to which I belong—entered on its heritage at the opening of this century with immense hopes for the future. Science was our Pole-star. Guided by science we were determined to make a clean sweep of all ancient stupidities, of all silly obstructions to human happiness, and to rearrange life in a thoroughly rational and scientific fashion" (Polanyi 1944: 599).

cultural evolution of societies, whilst the masses were demoted to a passive and receptive position. He favored environmental interventions – or indirect methods of social control – to orient society from the top-down. Thus, the real confrontation between competing societal models was only played out at the level of the elites, and did not necessarily concern the population at large. This conception would be largely embraced by Hayek in his later description of a utopian liberalism (see chapter 5). While criticizing Mannheim's sociology of knowledge, neoliberals would come to build their own "liberal" sociological model for the production and diffusion of knowledge in society (see *infra*). From Hayek's intention to found the Mont-Pèlerin Society as a closed society of like-minded individual, to his article on "The Intellectuals and Socialism" (Hayek 1997[1949]), neoliberals themselves had started to embrace a sociology of knowledge at the service of their ideological project.

PART 3. THE NEOLIBERAL READING OF TRADITION

While it may seem paradoxical to invoke the idea of tradition as central to neoliberalism, it did play a decisive role in articulating its epistemological and ideological dimensions. A positive view of tradition demarcated neoliberalism from progressive liberalism, but also defused conservative critiques by internalizing their concerns, much in the same way as it had proceeded with scientism and the sociology of knowledge. Whereas Michael Polanyi became the most explicit in his admiration of tradition and of its power to shape institutions, both Hayek and Popper moved towards a liberal understanding of tradition which acknowledged its epistemological function while neutralizing its relativistic effects. The main dilemma between them remained whether tradition was merely functional to the framework of neoliberalism or whether it represented

something more substantial. In other words, to what extent must neoliberalism include and build upon existing traditions?

There are two separate levels to the early neoliberal conversation about tradition: the first one concerns the role of traditions in a social order, what they do, and how they influence existing relations and institutions. This constitutes the liberal reading of tradition. On a second level, rehabilitating tradition means searching for the core of the liberal tradition itself, and its eventual perversions and deviations. Thus, this assumes that liberalism itself constitutes a substantial tradition in which our institutions and modes of conduct have evolved, as opposed to a conservative tradition for instance. Neoliberals often weave together arguments from both levels, arguing only the tradition of liberalism gives its proper place to tradition itself. Yet, a conflict immediately arises between these two readings: traditions themselves are not liberal by nature. They constitute an order where rules for belonging, decision, and criticism are not subject to a liberal understanding of them, but appear, at first sight, rather rigid and authoritarian.

The discussion around the topic of tradition in Britain largely exceeded the circle of the Moot, although three of its members produced prominent pieces of work and influenced many others: T. S. Eliot, Michael Polanyi, and Karl Mannheim. Major contributors to this debate which took place in the 1940s also included Friedrich Hayek, Karl Popper, and, perhaps most significantly of all, Michael Oakeshott with his article of 1947 “Rationalism in Politics” (Oakeshott 1991). Few of these texts described the substance of traditions or their deep interweaving with everyday practices. Typically, these writings dealt with the function of tradition in a liberal society, its dialectic of progress and stability, and how its irreducibility to explicit rules and doctrines involved a tacit and ineffable dimension.

Tradition understood as the continuity of the tacit aspects of knowledge in a social order offered another angle for the neoliberal demarcation of the opaque and the transparent. For instance, Polanyi argued that science as an institution could not be reduced either to a set of explicit rules or protocols, nor to a functional part of a social organism. The practice of science, as well as of law or of religion, was akin to following "rules of the art" which institutions informed by tradition embodied and transmitted.[61] Analyses helped by the methods of positivism could not bring to light these tacit aspects of knowledge and practice. This distinction was an important one in the early neoliberal discourse, particularly for tackling the demarcation between liberal science and other ideologies. In this debate, "the contrast between ideology and tradition became a matter of the difference between ideologies understood as doctrines purporting to be "rational" and tradition understood as the tacit base of practice in politics, science and the law, and in other areas of life" (Turner 1999: 132). Any grand theory of society could be branded as "ideological" from the point of view of early neoliberals who, by contrast, emphasized "undesigned" features of the political, social, and economic life which undermined the claims of planners, technicians, and engineers. Crucial to this posture were the properties of knowledge they had been teasing out and which circumscribed the claims of the social sciences at the service of political reform, while uncovering its social and relational character.

Tradition as an epistemological solution to the problem of "origin:" tacit knowledge

Early neoliberals claim that our capacity for rational action and planned intervention is chiefly restricted by the partial and dispersed nature of social knowledge. Worse still, our ignorance extends even to the amount of knowledge we currently possess and use as private individuals.

[61] Polanyi writes: "Being incapable of precise formulation, rules of the art can be transmitted only by teaching the practice which embodies them. For major realms of creative thought this involves the passage of a tradition by each generation to the next" (Polanyi 1964[1946], 58).

Most of it, they argue, remains at a tacit level, embodied in practices and conducts which cannot be fully elucidated by positive rules. The existence of a tacit dimension to knowledge both constrains the claims of "positivist" or "collectivist" social theory, and reaffirms the primacy of abstract and inarticulate principles and ideals in the formation of social thinking. Hence it confers an important role for tradition, both as a source of, and a limit to, social knowledge.

The importance of tacit knowledge was mainly elaborated by Michael Polanyi and it indubitably influenced Hayek's thinking around the same period (Gray 1998, 14). The positive sociology of Comte, Hayek wrote, ambitioned to make all relations and facts explicit to the scientist who could integrate them in a general reform of society, the "*morale démontrée*" being superior to the "*morale révélée*" (Hayek 2010, 155n12). Such a project overstepped the boundary conditions of knowledge, being dispersed and partial, but also largely tacit. In a key formulation, Hayek concluded that: "There is a great deal of knowledge which we never consciously know implicit in the knowledge which we are aware, knowledge which yet constantly serves us in our actions, though we can hardly be said to "possess" it" (Hayek 2010, 146n10). Despite his rationalism, Karl Popper also admitted that a great deal of our social knowledge derived from experimentation and casual observation whereas "the holistic view of social experiments leaves unexplained the fact that we possess a very great deal of experimental knowledge of social life" (Popper 2002c, 79). In conjunction with Hayek, Popper conceived of social actions as experiments in-reduce in which we acquire knowledge (both tacit and explicit) through the trials and errors of daily life: "Only practical experiments have taught buyers and sellers on the markets the lesson that prices are lowered by every increase of supply" (*ibid.*, 79).

For both authors, casual social knowledge cannot be accurately described by the social sciences because it stems from a tacit understanding of situations into which "local circumstances of time and place" have a decisive role. Furthermore, this social knowledge doesn't arise in one individual

brain, but is embodied in symbols that "we use without understanding them, in habits and institutions, tools and concepts, that man in society is constantly able to profit from a body of knowledge neither he nor any other man completely possess" (Hayek 2010, 146-7). This intangible reservoir of knowledge both surrounds and evades us: it enables spontaneous collaborations between individuals who share the same implicit codes and customs without the need for explicit rules.

As a result, the rationalist critique of traditions endangers the scaffolding of society: "the most dangerous stage in the growth of civilization may well be that in which man has come to regard all these beliefs as superstitions, and refuses to accept or to submit to anything which he does not rationally understand" (Hayek 2010, 154). Accumulated in the long-term, tacit knowledge sediments as traditions, themselves representing an unplanned and spontaneous 'growth of reason' (Hayek 2011[1960], 73ff).[62] Traditions, through the operation of tacit knowledge, thus possess their own rationality and contribute to the development of spontaneous order by equipping participants with a shared baggage of morals and rules of conduct. It constitutes the positive counterpart to our negative limitation to grasp the complexity of reason and society. The same way social knowledge could not be fully encompassed and understood, traditions represented general rules of morals and conduct to which we submitted without fully understanding them (Hayek 2010, 154). Like the market economy, they command an amount of

[62] I restrict my discussion here to the problem of tradition as it pertains to early neoliberalism. In later publications, Hayek's understanding of tradition informed his larger theory of cultural evolution through the selection of general rules of conduct (cf. Gray 1998, 39-53).

submission and deference from individuals, since their legitimacy rest with their 'superhuman' powers of social coordination.[63]

This view of tacit knowledge had been developed around the same time by Michael Polanyi. Polanyi thought of traditions primarily as traditions of learning transmitted within a specific order, such as science, the law, or religion. To commit to a tradition was to enter an "apprenticeship" guided by a "transcendent ideal," a form of sacred calling. Polanyi's social ontology entailed a myriad of these communities and traditions resembling science in their dynamic organization and dedicated vocation. Although the explicit ideals of science were those of truth and honesty, the tacit knowledge found in the practice of science was embedded in the 'rules of the art' which unite scientists beyond each passing generation, and constitute the practical art of scientific research. Being largely unformulated, rules of the art of scientific research "can be transmitted only by teaching the practice which embodies them" (Polanyi 1964[1946], 58).

The tacit aspects of tradition revealed themselves in the shared obligation scientists felt towards the implicit ideals of science, and the ethical and professional commitment it put before them. Polanyi saw no other explanation for the consensus which existed between scientists, than the fact that they all shared the same premises and submitted "unconditionally" to the general authority of science: "The tradition of science, it would seem, must be upheld as an unconditional demand if it is to be upheld at all. It can be made use of by scientists only if they place themselves at its service. It is a spiritual reality which stands over them and compels their allegiance" (Polanyi 1964[1946],

[63] In an elliptic formula, Hayek writes that: "It is essential for the growth of reason that as individuals we should bow to forces and obey principles which we cannot hope fully to understand, yet in which the advance and even the preservation of civilization depends" (Hayek 2010, 154).

55). Finally, since tacit elements can never be formally described, the transmission of scientific traditions mainly represented mainly the transmission of scientific beliefs supported by faith.

In these ways, the topic of tacit knowledge in tradition solved the question of the origin of the institutions and practices which early neoliberals addressed. Not only were traditions reservoirs of tacit knowledge, they embodied shared principles and values which were instrumental to the formation and preservation of social orders. They provided sources of legitimacy and authority for practices without resorting to a discursive or rational justification. As such, they were crucial factors of social stability and continuity. Against the search for an original intention or design, the understanding of traditions through tacit knowledge offered a critical angle against political opponents who wished to reform society along rational lines.

Early neoliberals felt that mass democratization had undermined liberalism, and that unless the liberal tradition was reaffirmed as such, and renovated, it would not survive the end of the war. The "crisis of liberalism" hinged on that dilemma: that liberalism needed to assert its embodiment in one specific tradition, exclusive of others. In the next three sections, I examine the neoliberal reinterpretation of the idea of tradition, its functional importance for neoliberal social theory, and finally the crucial role of institutions as mediators of continuity and change. Afterwards, I will discuss the opportunity of the rediscovery of a liberal tradition proper, and the convergences and dissensions generated by this genealogical enquiry.

The functional reading of tradition

In the previous section, I concluded that tradition represented both a reservoir of tacit knowledge and a community of practice, one supporting the other. In one of its most famous applications, the spontaneous coordination of tacit knowledge was decisive in buttressing the argument of the

epistemic superiority of market mechanisms (see chapter 2). Not only could economic data not be present in a "single mind," but the knowledge of the "particular circumstances of time and place" of each individual remained largely unstated (Hayek 1948, 91). In opposition to a conscious direction of the economy, traditions and institutions were required in order to guide the decisions of the individual in an efficient manner and without any direct commands. Published in 1945, Hayek indicated in his "Use of Knowledge in Society" that:

> "The problem is precisely how to extend the span of our utilization of resources beyond the span of the control of anyone mind; and, therefore, *how to dispense with the need of conscious control and how to provide inducements which will make the individuals do the desirable things without anyone having to tell them what to do.* The problem which we meet here is by no means peculiar to economics but arises in connection with nearly all truly social phenomena, with language and with most of our cultural inheritance, and constitutes really the central theoretical problem of all social science" (Hayek 1948, 88; my emphasis).

For Hayek, the division of knowledge constituted only one aspect of the economic problem. Its coordination was just as important. To get the individual to do the "desirable things," institutions supported by shared beliefs must be put in place to inform the conduct of individuals. For instance, this shared trust is an essential component in the creation of money. In the absence of an explicit order of society and of its economic life, the authority of traditions preserved the shared cultural imagination which allowed the invisible hand to accomplish its feat fluently. They filled in for the more visible arm of the state by providing the framework of economic order.

Nonetheless, traditional rules, like any kind of rule, were ultimately conventional and their enforcement relied either on brute force or on willing submission, coercion, or belief. The history of liberalism could then be read as the long transition from economic interactions dominated by open violence, to a mostly peaceful economic life, as the violence was slowly absorbed within institutional mechanisms designed to guarantee the preservation of order. As a consequence, the

ideal growth of any institutional order roughly corresponded to the increase of its predictability for economic agents and the decrease of its coercive enforcement:

> "Quite as important for the functioning of an individualist society as these smaller groupings of men are *the traditions and conventions which evolve in a free society* and which, without being enforceable, establish flexible but normally observed rules that *make the behaviour of other people predictable in a high degree*. *The willingness to submit to such rules,* not merely so long as one understands the reason for them but so long as one has no definite reasons to the contrary, *is an essential condition for the gradual evolution and improvement of rules of social intercourse;* and the readiness ordinarily to submit to the products of a social process which nobody has designed and the reasons for which nobody may understand is also an indispensable condition if it is to be possible to dispense with compulsion. *That the existence of common conventions and traditions among a group of people will enable them to work together smoothly and efficiently with much less formal organisation and compulsion than a group without such common background, is, of course, a commonplace.* But the reverse of this, while less familiar, is probably not less true: that coercion can probably only be kept to a minimum in a society where conventions and tradition have made the behaviour of man to a large extent predictable" (Hayek 2010, 66-7; my emphasis).

From this perspective, the tension between predictability and innovation became both hazardous and productive, because it stimulated the production and expression of new knowledge in an ever-evolving institutional framework. Yet, the deference towards traditions kept our drive for purely rational explanations of the social order in check as we submitted to rules whose legitimacy lay in their pragmatic *being-there*.

To allow predictability without any explicit law or rules is equally a cornerstone of Karl Popper's reappraisal of tradition. Like Hayek, he perceived traditions as unintended consequences of a process of trial and error which sedimented certain practices that people had found advantageous. In his article "Towards a Rational Theory of Tradition," Popper announced that he was most interested in the "functions" of traditions in social life (Popper 2002a[1948], 168). Traditions, like

theories and beliefs, helped us to orientate ourselves: they originated from our "anxiety" and "terror" in facing new and constantly changing surroundings. Therefore, traditions fulfilled our inner "rational" craving for regularity and predictability (*ibid.*, 175). Popper did not go into details as to the internal workings of tradition, but emphasized two things: traditions provided a "certain order" and they gave us "something upon which we can operate, something that we can criticize and change." Once again, they constituted a necessary social canvas which the blind rationalist who wanted "to judge everything on its own merits" or the utopian engineer who wished to "clean the canvas" (*ibid.*, 176-7) were too quick to dismiss, especially as they themselves were inevitably speaking from within the "rationalist tradition" (*ibid.*, 162). Typically, these functional merits of tradition supplemented its provision of an orderly social ontology onto which epistemological inquiries can then take place.

Finally, Michael Polanyi was certainly the one for whom tradition acquired the most central place in his thinking of a new departure for liberalism. He perceived the continuity of traditions as vital to the pursuit of social ideals, as they organized the orderly transmission and evolution of knowledge within various orders. Characteristically, this inner work of tradition was understood analogically for science, the law and the Protestant religion:

> "Each generation of scientists applies, renews, and confirms scientific tradition in the light of their particular inspiration. Similarly we see judges deriving from past judicial practice the principles of the law and applying these creatively in the light of their conscience to ever new situations; and see how in doing so they revise in many particulars the very practice from which they derived their principles. Similarly to the Protestant the Bible serves as a creative tradition to be upheld and reinterpreted in new situations in the light of his conscience. […] Such processes of creative renewal always imply an appeal from a tradition as it *is* to a tradition as it *ought to be*" (Polanyi 1964[1946], 56-7).

Polanyi's appreciation for traditions was concordant with Hayek's in a few crucial ways. For instance, Polanyi conceived of traditions as "formed by the consensus of independent individuals" and relying on a "general" rather than a "specific" authority (Polanyi 1964[1946], 57). The formation of shared beliefs and opinions, essential to the existence of dynamic orders, was the key point of departure of traditions, allowing for the controlled transmission and creative renewal of the opinions held in society. Against the specific authority of the state, traditions preserved a modicum of social legitimacy which could not be satisfactorily filled by state politics. Their progressive work in the pursuit of a common "spiritual reality" embodied an "atomized sovereignty," "a sovereignty of a free public opinion" (*ibid.*, 72).

The framers of neoliberalism trusted the capacity of institutions to guide practice according to general rules (see chapter 3). These institutions had been built and informed by actual practices and, as such, were the repository of a stock of tacit knowledge. Deep layers of mutual trust and comprehension between the participants enabled, to a large extent, the constitution of a *predictable* enough environment for social interactions to develop. The growth of orders thus depended on the successful sedimentation of ground rules developed through an evolutionary process of trial and error. This long-term coordination is the feat of traditions. Moreover, traditions entailed the existence of a superior authority, to which one had to submit without questioning, like Polanyi's scientific authority. Hence, traditions represented interiorized forms of conducts and coercion which did not require any discretionary action, and to which we willingly submitted in the belief of its superior power of coordination and ethical wisdom.

Tradition and institutions

All three thinkers agreed that traditions were the backbone of institutions, and participated in their creation, consolidation, and most importantly, their preservation against corruption and

instrumentalization. One of the main developments of neoliberalism regarding older liberalism is its conception of institutions as knowledge-driven. For Popper, Polanyi and Hayek, institutions are the repositories of slowly accumulated knowledge, which translate from explicit trial and error to tacit knowledge.

In this regard, Popper's view was the most explicit. He noted that institutions had certain "*prima facie* social functions" which served "*prima facie* social purposes" (Popper 2002a[1948], 178-9). However, institutions could be perverted and diverted from their original function and purpose. Institutions were fallible because ultimately they were controlled by fallible individuals. Since the "working of institutions, as of fortresses, depends ultimately upon the persons who man them […] the best that can be done by way of institutional control is to give a superior chance to those persons (if there are any) who intend to use the institutions for their 'proper' social purpose" (*ibid.*, 179). Consequently, the decisive difference between a properly functioning institution and a disjointed one, rested with the moral constitution and the private knowledge of its members. The degree to which this "personal" commitment kept in line with the original intention of the institution stemmed from an overarching tradition: "It is tradition which gives the persons (who come and go) that background and that certainty of purpose which resist corruption. A tradition is, as it were, capable of extending something of the personal attitude of its founders far beyond his personal life" (*ibid.*, 180) Despite his critical rationalism, Popper was here willing to give a great role to traditions, insofar as they ensured that institutions did not stray away or get corrupted. They provided adequate guidance as to the "right" conduct to adopt when "manning" an institution, supplementing its explicit laws and by-laws. Ultimately for Popper, traditions paradoxically were the rationalist's friend: they offered a common base upon which reason and institutions could flourish without floundering as generations passed. On the flip side, if traditions were always open to criticism, then they may lose their substance and guidance as the personal

belief in their necessity and rightness subsided. This article by Popper left many threads unresolved and many commentators puzzled as to the reason why Popper made tradition such an important theme. It reversed some of his stances from *Open Society* whilst at the same time preserving a very cautious and indefinite approach to them (Shearmur 1996b; Birner 2012).

Polanyi's understanding, on the other hand, was much more straightforward. Like Popper, he perceived traditions as informing the daily work of institutions, ensuring their continuity, and upholding their original commitments. As with Popper, traditions ensured the kind of moral guidance necessary for institutions to preserve their integrity. For Polanyi, traditions covered the "guidance of popular behaviour," while institutions constitutes separate orders within which dedicated pursuits could be organized. In the example of science, tradition provided an impetus for the scientist to carry the scientific ethos forward and uphold its ethical order for the sake of the scientific institution:

> "Scientists must feel under obligation to uphold the ideals of science and be guided by this obligation, both in exercising authority and in submitting to that of their fellows, otherwise science must die. […] I have spoken before of scientific conscience, as the normative principle arbitrating between intuitive impulses and critical procedure, and as the ultimate arbiter in the relationship between master and pupil. We see now how a scientific community organizes the conscience of its members through the joint cultivation of scientific ideals" (Polanyi 1964[1948], 54-5).

The institution of science is more than guided by the tradition of scientific research, it is actively informed by it, as it is mutually shared by each participant. Accordingly, institutions may shelter tradition from strong criticism by enacting boundaries and limits as to how much freedom of speech and action is permitted within its perimeter. Institutions act as a coordination mechanism between dispersed individuals, whilst constantly upholding and revising practices which are deemed acceptable:

> "This brings us to the institutions which give shelter to free discussion in a free society. In Britain, for example, there are the Houses of Parliament; the courts of law; the Protestant Churches; the press, theatre, and radio; the local governments, and the innumerable private committees governing all kinds of political, cultural, and humanitarian organizations. Being of a democratic character, these institutions are themselves guided by a *free* public opinion. Discussion is particularly protected for this purpose throughout their own body, rules of fairness and tolerance being enforced by custom and law. […] In the wide fields of public argument each participant has to interpret day by day the existing custom in the light of his own conscience. These innumerable independent decisions would result in chaos but for the essential harmony prevailing between the individual consciences in the community" (Polanyi 1964[1946], 69-70).

Hayek, Popper, and Polanyi's institutional thought must therefore be understood in light of their comprehension of tradition. Nevertheless, the main problem which they faced remained the disrespect for tradition within liberalism. Paradoxically, a theory of spontaneous orders needed a strong traditional component to account for its continuity, and the common adherence to a set of rules which everyone could understand and interpret in roughly the same way. In many ways, by reinterpreting tradition in a dynamic manner, it was the tradition of liberalism itself which neoliberals attempted to steer clear of either naturalism or rationalism. This meant rewriting the history of liberalism with the view that its tradition was epistemologically superior, precisely because it was intrinsically tacit.

The corrupted tradition of liberalism

Beyond the functional operation of tradition in society, early neoliberals had been preoccupied with the corruption of the liberal tradition itself through poisonous elements brought about by revolutionary movements. For Hayek and Polanyi in particular, it was the heritage of the French Revolution and its Continental ripple effects which constituted the main challenge to the authentic liberal tradition born in England and the Netherlands. Hayek was content to repeat the judgement

of Lord Acton, writing that: "the deepest cause which made the French revolution so disastrous to liberty was its theory of equality" and that "the finest opportunity ever given to the world was thrown away, because the passion for equality made vain the hope of freedom." (Hayek 2010, 73). He opened his Finlay lecture[64] with a dark assessment of the liberal tradition: "there still seems to exist such a philosophy – a set of principles which, indeed, is implicit in most of Western or Christian political tradition but which can no longer be unambiguously described by any readily understood term" (Hayek, 2010, 47). For Hayek, the intellectual tradition of liberalism had further deviated from its Scottish origins ("true" individualism) through the influence of the French rationalists, particularly Descartes, Rousseau, and the Encyclopaedists ("false" rationalism). Like Polanyi and Rougier, he traced the modern disrespect for tradition in liberalism back to the heritage of the French Revolution and its consecration of Reason over every other principle.[65] This had led to the creation of a completely new educational system and eventually the foundation of the *École Polytechnique*, and the positivist sociological science of Comte and Saint-Simon.

Hayek had no difficulty adjudging to the Scottish genius the elaboration of the right moral framework for the continuance of liberalism. In this Scottish tradition, the respect for tradition and its epistemological priority constituted important arguments to fight off the rationalist bias of the planners and scientists. Whereas "true" individualism "is a product of an acute consciousness of the limitations of the individual mind which induces an attitude of humility towards the impersonal and anonymous social processes by which individuals help to create things greater than they know," the Cartesian line of thought "is the product of an exaggerated belief in the

[64] "Individualism: True and False" (reprinted in Hayek 2010, 46-74) was supposed to be the introduction to the Abuse and Decline of Reason book – and titled there "The Humility of Individualism" (Caldwell 2010, 5).

[65] Hayek writes that: "The very collapse of the its existing institutions called for immediate application of all the knowledge which appeared as the concrete manifestation of that Reason which was the goddess of the Revolution" (Hayek 2010, 175).

powers of individual reason and of a consequent contempt for anything which has not been consciously designed by it or is not fully intelligible to it" (Hayek 2010, 54). For Hayek, tradition as a social process prevented any overarching point of view upon society and the economy: "nobody can know *who* knows best and […] the only way by which we can find out is through a social process in which everybody is allowed to try and see what he can do" (Hayek 2010, 60). Here, tradition embodied an anonymous and evolutionary constitution of rationality, set against the power of human reason to directly shape its own condition and pull itself up by its bootstraps.

Like Hayek, Polanyi identified several flash points in his reconstruction of the tradition of liberalism, where its original intention and *élan* had been corrupted by exogenous forces. Polanyi also attacked the Cartesian tradition, in which the alliance of scepticism with pure empiricism sought to unsettle any truth which relied on the "powers of belief." Their anti-traditional bent had disastrous moral effects:

> "Thinkers like Wells and John Dewey, and the whole generation whose minds they reflect, still profess it to-day, and so do even those most extreme empiricists who profess the philosophy of logical positivism. They are all convinced that our main troubles still come from our having not altogether rid ourselves of all traditional beliefs and continue to set their hopes on further applications of the method of radical scepticism and empiricism." (Polanyi 1964[1946], 75-6).

For Polanyi, the heritage of the French Revolution had hampered free discussion even further, instilling a "false doctrine of liberty" (Polanyi 1964[1946], 77). This was a source of agreement and tension with Popper. While Popper and Polanyi agreed that the rationalist tradition of skepticism had paid insufficient attention to the role of tradition in general and, self-reflexively, their own tradition, they diverged as to the role of beliefs in shaping our practice of science and search for truth (see *infra*). For Polanyi, the sins of "radical scepticism" extended to putting our search for personal truth in constant disarray, thus undermining what its tradition was attempting to affirm.

The first movement of liberation from any dogmatic authority had turned into a second movement of radically criticizing any existing belief as "irrational." As a result, the liberal tradition had been sawing the branch onto which it was sitting, thus failing to retain any sort of moral and political authority when challenged by its ideological deniers.

For early neoliberals then, contrary to the liberal appreciation of the French Revolution found in John Stuart Mill or in Jeremy Bentham, the heritage of the Enlightenment was a bitter one. The emancipatory process initiated by parliamentarism and the court system had been hijacked by political demands which were incompatible with the civil liberties conquered in the first place. In the end, neoliberals reflected that totalitarianism originated precisely in the predation of the liberal tradition by factions which aimed at destroying it. This was what Rougier had called the fundamental contradiction at the heart of French rationalism: the drive for equality as embodied in popular sovereignty always compromised the individual liberties of a liberal society (Rougier 1929). Polanyi adopted the expression "moral inversion" to describe the intellectual trajectory of Europe once sceptical empiricism "which had once broken the fetters of medieval priestly authority, goes on now to destroy the authority of conscience" (Polanyi 1964[1946], 80). For Hayek, the Continental and German anticonformism and radical individualism were equally nefarious in dissolving the common traditions necessary for a liberal order:

> "It must remain an open question whether a free or individualistic society can be worked successfully if people are too 'individualistic' in the false sense, if they are too unwilling voluntarily to conform to traditions and conventions, and if they refuse to recognise anything which is not consciously designed or which cannot be demonstrated as rational to every individual. [...] In Germany, in particular, this preference for the deliberate organisation and the corresponding contempt for the spontaneous and uncontrolled was strongly supported by the tendency towards centralisation which the struggle for national unity produced. In a country where what traditions it possessed were essentially local, the striving for unity implied a systematic opposition to almost everything which was a spontaneous growth and its consistent replacement by artificial

> creations. That, in what a recent historian has well described as a "desperate search for a tradition which they did not possess", the Germans should have ended by creating a totalitarian state which forced upon them what they felt they lacked should perhaps not have surprised us as much as it did" (Hayek 2010, 69-70).

Early neoliberals made it clear that totalitarianism represented the ultimate disrespect to any traditional institution or belief. By misunderstanding their own relationship and reliance upon traditions, liberals had paved the way for their downfall. Therefore, the causes for totalitarianism lay ultimately in the weakening of liberalism as the moral and traditional framework of Western civilization, a perversion of its living tradition through the hijacking of its various institutions, first among which the free economy and the legislative apparatus of the state. As I have examined until now, this historical narrative was widely shared among neoliberals, and it was intimately linked with their attempt to buttress the legitimacy and authority of a scientific liberalism. By demonstrating that even rational and natural science, or law, or art, were anchored in tradition, neoliberalism could build a significant theory of liberalism as a set of analogical orders, which owed their legitimacy and authority both to their historicity and to their epistemological properties. The key point of their analysis of tradition was to enable these two realms (history and epistemology) to work together rather than in opposite directions.

England, or the true tradition of liberalism

When early neoliberals attempted to recover a genuine liberal tradition, purged of its gangrenous elements and Continental deviations, England provided the model at hand. They all pointed out that the major difference between England and the Continent lay in the preservation of a myriad of traditions which constituted independent poles of authority and legitimacy. Within those, the state had a limited say in the actual organization of communities bound together through sedimented habits of the heart. Early neoliberals claimed that the institutions of England had

better resisted the collectivist and totalitarian storm because they were informed by these traditions which valued tolerance, freethinking, and the pursuit of various goals not submitted to the unifying glance of Reason or the State. Therefore, England embodied the best of tradition, both in its functional and substantial aspects.

Hayek's infatuation with English customs and traditions is well-known. England represented the heiress of Western civilization where the principles of "true individualism" were affirmed. Socialism, which "was embraced by the greater part of the intelligentsia as the apparent heir of the liberal tradition" (Hayek 2007, 78) constituted, for its part, a profound deviation. Like Hayek, Polanyi quickly developed a rich appreciation for English religious and political traditions (Mullins 2013: 163).[66] In "The English and the Continent," published in October 1943, Polanyi contrasted the two regions and the reasons behind their diverging paths in the face of totalitarianism. The principal difference, he wrote, "is connected with the fact that in England social progress was not on the whole associated with enlightenment and anticlericalism, but was, on the contrary, very often prompted by religious sentiment" (Polanyi 1943: 372). For Polanyi, French anticlericalism had destroyed any form of common tradition which had allowed for a progressive emancipation from dogmatic authority. Since the Continent had no tradition of tolerance, the revolutionary anticlerical reaction assumed there "a doctrinaire quality, which was embodied eventually in a materialist conception of public life placing a fanatical emphasis on violence" (Polanyi 1943: 373) whereas England glorified its traditional political institutions and channelled its political development (enfranchisement, social rights, antislavery) through the action of religious denominations in public life. Even in English radicalism there existed a free give-and-take between

[66] Writing to Mannheim, Polanyi himself acknowledged: "It is true that I had no conception of civic liberty before coming to this country in 1933." Letter Michael Polanyi to Karl Mannheim, 19 April 1944; letter #244 in (Gábor 2003, 313).

religious and political movements. The result, Polanyi showed, was the development of a strong English tradition where "the English, by the end of the 19th century, had established a national civilisation of their own, with a unity of views extending over all fields of life, self-supporting and characteristically restricted in its outlook" (Polanyi 1943: 377). This exceptional mitigation of rational progress by religious and metaphysical elements constituted the specific lesson England could bequeath a world dominated by worldly ideologies. The predominance of these tacit forms of guidance protected England from the excess of rationalism:

> "There is a tendency, particularly in Britain, to deprecate theoretical guidance in public affairs and to distrust simple formulae. Now I fully appreciate that the foundations of society, of nationhood and good government, must remain inarticulate ; and I can see elements of the inarticulate, purely traditional, foundations of government properly entering into all branches of public affairs, down to their ultimate details. I am aware of the great achievements of English civilisation, gained in avoidance both of French Rationalism and German Profundity" (Polanyi 1945, 139).

As Polanyi said in 1941, England was the country where "tradition is liberal."[67] For him, the turn of WWI marked a break in English tradition which, had then begun to introduce foreign elements from Continental ways of thinking into the domains of art, life, and politics, chipping away at traditional authority. The Marxist way of seeing science and society for instance, so foreign to the English world before WWI, had suddenly contested all traditional orders, denying nationhood and replacing it with the rhetoric of class-war.

Popper as well had come to realize that without strong local and national traditions, his brand of liberalism could not be implanted and developed. He admitted that the question of tradition had been brought to him through his "own experience" of the different "atmosphere" found in England compared to that of the Continent. Reflecting on his time in New Zealand, Popper blamed the lack

[67] "The liberal conception of freedom," 7 October 1941, Polanyi Papers, box 26, folder 8.

of an indigenous scientific tradition for the poverty of scientific research found there. He realized that:

> "Certain types of tradition of great importance are local, and cannot easily be transplanted. These traditions are precious things, and it is very difficult to restore them once they are lost. I have in mind the scientific tradition, in which I am particularly interested. I have seen that it is very difficult to transplant it from the few places where it has really taken root" (Popper 2002a, 163).

Thus, the local character of traditions made them resistant to the rationalist procedure that once something valid and important has been found, it ought to transcend previously held beliefs. If put in perspective with his previous inquiry in the *Open Society,* it also meant that scientific research needed certain political and social conditions to persist, some of which were not of a rational character themselves and depended largely on cultural elements which were neither universal, nor susceptible to be imported wholesale.

Whereas Polanyi attempted to articulate the necessity of 'irrational' beliefs for the preservation the rational work carried out by means of the scientific method, Popper was more careful in acknowledging the helping hand of tradition in securing the conditions necessary for science to continue, as long as these traditions could be questioned and criticized. Yet, all three recognized that the implementation of traditions required more than purely logical steps, and that irrational elements were needed for rationality to develop coherently. The customs and culture of a country could help or hamper the development of liberalism and its institutions, and for this reason, local traditions needed to be extensively taken into account.

The dilemma of tradition and liberalism

One question, however, was left open by this first approach to tradition within neoliberalism: How much of this tradition had to be embraced uncritically in order to reap the benefits of the liberal

method of ordering activities? How to properly draw the line between continuity and change? For Hayek, Popper, and Polanyi, the problem of the substance of the liberal tradition beyond its functional usefulness persisted. On the one hand, Polanyi was determined to anchor liberalism in a fiduciary framework where our ultimate ends could be reflected and furthered through the embrace of the liberal tradition. In that case, liberalism represented more than a method, but a tradition in itself that one had to be initiated to. Popper, on the other hand, made liberalism the tradition of criticism and critical rationalism, dismissing a fiduciary framework as belonging to a 'closed society' which would rely on its own myths and dogmas. Whereas Polanyi thought the survival of liberalism necessitated a reaffirmation of its commitment to a civilizational eschatology, Popper refused to commit to any liberal tradition beyond the fact that liberalism was the ideology which fell the closest to his Open Society. In the first case, the liberal tradition had to be embraced uncritically and the authority of its institutions respected. In the other, liberalism urged us to criticize any established rules or truth and to be wary of institutional authority in order to reach a genuine rational understanding of the world.

Polanyi thought this rationalist demand was making a mockery of our life as human beings, subjecting our ethical and moral beliefs to the constant nihilistic grind of radical doubt:

> "It seems clear, however, that *this method does not represent truly the process by which liberal intellectual life was in fact established.* It is true that there was a time when the sheer destruction of authority did progressively release new discoveries in every field of inquiry. But none of these discoveries -not even those of science- were based on the experience of our senses aided only by self-evident propositions. *Underlying the assent to science and the pursuit of discovery in science is the belief in scientific premises to which the adherents and cultivators of science must unquestioningly assent.* The method of disbelieving every proposition which cannot be verified by definitely prescribed operations would destroy all belief in natural science. And it would destroy, in fact, *belief in truth and in the love of truth itself which is the condition of all free thought.* The method

> leads to complete metaphysical nihilism and thus denies the basis for any universally significant manifestation of the human mind" (Polanyi 1964[1946], 76).

Interrogating the theme of tradition in relation to liberalism brought with it substantial problems regarding what exactly liberalism covered, especially from an epistemological point of view. While the necessity to ground liberalism in the scientific method was acknowledged by all, it did not clarify the positive footing onto which the liberal tradition was built. For Popper, these positive principles were those of the Open Society, where free discussion and criticism, trials and errors, ensured the least deviation from a rational course of action. For Polanyi, on the contrary, liberalism involved the conception of a society dedicated to a set of more or less permanent beliefs: the pursuit of truth, of god, of right, of beauty, etc. In both cases, the sovereignty over truth was "atomized," but what this sovereignty covered was clearly different. On Popper's side, it meant the universality of criticism, on Polanyi's side, it meant the partaking into established systems of beliefs where authority is diffused among the various levels of initiation. On this Popper-Polanyi continuum, Hayek is somehow located in the middle, ready to give tradition a more substantial epistemological and historical role, but reluctant to anchor these spontaneous orders into a general framework guided ultimately by idealistic motivations. For the economist, more interesting was the evolutionary nature of such traditional orders and their interplay with the market economy as an epistemological engine of epistemic progress.

The personal relationship between Polanyi and Popper deteriorated in the early 1950s when Polanyi further elaborated his epistemological position of science and society as a set of fiduciary frameworks and tradition which were renewed through the dialectic of apprenticeship and expert opinion. In the preface to *Logic of Liberty* written in 1951, Polanyi wrote, echoing *Science, Faith and Society*, that "a free society is not an Open Society, but one fully dedicated to a distinctive set of beliefs" (Polanyi 1998[1951], xviii). But this open clash between Popper and Polanyi (Jacobs

and Mullins 2011) was preceded by a more confined confrontation at the first meeting of the Mont-Pèlerin Society. In the session entitled "Liberalism and Christianity," Hayek asked the question whether: "liberalism presuppose some set of values which are commonly accepted as a faith and in themselves not capable of rational demonstration?" He thought there was "no chance of any extensive support for a liberal programme unless the opposition between liberals and Christians can somehow be bridged."[68] Polanyi upheld Hayek's argument by taking as an example his own fight for pure science of the past decade. He emphasized that scientists for the freedom of science were bound by a sense of "duty" "performing a function for the community." Against the pretension that science could be conducted solely for the needs of society, Polanyi had called to the hidden metaphysical call of the scientist to uphold the tradition of science. In his opinion, the individualist view remained fairly weak because:

> "we cannot say what this spiritual reality is to which we owe allegiance. Therefore we can only define this by adhering to some traditional purpose of science. We are therefore traditionalists to some extent. [This means an] [u]ncritical acceptance of underlying premises, which we can hold only on *faith*. [These are the] [l]ogically necessary premises for freedom in that community."[69]

If, as Polanyi and Hayek say, liberalism is a substantial tradition, then some of its premises must be accepted uncritically because they ultimately are founded on belief, be they of a religious or profane origin. Of course, these beliefs are rationally held and submitted to constant enquiry, yet liberalism requires not only an adhesion to its basic principles, but also a sort of faith in the validity, superiority, and munificence of this tradition. In many ways, it is a demanding liberalism, one which seeks to make sense of the various pursuits of individuals as fitting into an overarching

[68] Discussion on "Liberalism and Christianity," Friday, April 4th 1947, Morning Session, MPS Inventory, Liberaal Archief, Ghent.

[69] Discussion on "Liberalism and Christianity," Friday, April 4th 1947, Morning Session, MPS Inventory, Liberaal Archief, Ghent.

whole, and where the "atomized" sovereignty shared among individuals is gelled together by a metaphysical cement, be it positive principles or, following Hayek, a gnosiological commitment to a form of "humility."

Therefore, Polanyi's conception of tradition did not feature criticizability nor rationality as part of his characterization of tradition, unlike Popper, who made these aspects central in his 1948 article. Traditions must first be embraced through a process of initiation, where criticism is regulated *within* tradition, as opposed to being themselves the objects of criticism and rational evaluation (Jacobs 2012: 330). For Polanyi and Hayek, the presence of tacit knowledge made tradition both more encompassing than its visible manifestations, but also void of any possibility of a total internal critique. As Polanyi wrote to Mannheim, the experience of moving from one tradition to another, one set of presuppositions to another, did not resemble a rational discursive process but was more akin to a "conversion."[70]

This proposition appropriately illustrates the different relation that Polanyi, Hayek, and Popper posed between tradition and criticism. For Popper, traditions can be evaluated wholesale both for their inner rationality (i.e. their commitment to rational discussion and openness towards criticism) and for their efficacy in helping people predict and navigate their social environments. Traditions, like myths, evolved under the pressure of criticism and "are forced to adapt themselves to the task of giving us an adequate and a more detailed picture of the world in which we live" (Popper 2002a[1948], 171). To Polanyi's assertion of the necessity of a fiduciary adherence to liberalism, Popper proposed a much more functional take on the tradition of liberalism, slimming it down to the respect for tolerance and criticism, as well as the pursuit of humanitarian aid, what

[70] Popper and Polanyi would come in direct confrontation over the issue of belief versus criticism in an exchange of letters of 1952 (Jacobs and Mullins 2011).

he called a "negative utilitarianism."[71] Instead of proposing a positive content for our beliefs, Popper trusted that their continuous refutability offered the strongest epistemological argument for our adhesion to liberalism. In Popper's mind, the Open Society as the ideal liberal society necessitated proper rules and institutions which could ensure freedom of opinion, but neither faith nor beliefs.

Towards a liberal theory of tradition

This discussion helps make sense of neoliberalism's curious dance with tradition and conservatism. Jack Birner, for example, has argued that Popper's article on a "rational" theory of tradition was actually directed at Hayek's idea of tradition (Birner 2012: 3), which he shared with Polanyi.[72] Popper aimed at reinstating rationalism as complementary to the liberal tradition whereas Hayek and Polanyi had expressed strong reserves vis-à-vis the historical corruption and epistemological perversion which a strong version of rationalism had brought to the liberal tradition. Referring to Burke, a figure quoted both by Hayek and Polanyi, Popper was particularly worried that "quite a number of outstanding thinkers have developed the problem of tradition into a big stick with which to beat rationalism" (Popper 2002a[1948], 162). Contrary to Hayek and Polanyi, Popper's temperament was more oriented towards reform and change as the constant driving force of a free and open society, striving to eliminate deceptions, dogmas, and suffering.

[71] For example, Popper wrote, "I suggest, for this reason, to replace the utilitarian formula 'Aim at the greatest amount of happiness for the greatest number', or briefly, 'Maximize happiness' by the formula 'The least amount of avoidable suffering for all', or briefly, 'Minimize suffering'" (Popper 2013[1945], 548).

[72] Birner mentions Burke, Hayek and Oakeshott as Popper's respondents, but, curiously, does not mention the name of Polanyi in his article, although it seems that his argument in "Towards a Rational Theory of Tradition" was developed in the continuity of his conversation with Polanyi at the MPS in 1947. It is true that Polanyi is not directly quoted, and that Popper never granted that much attention to him in his writings. If anything, it strengthens our argument of a source of tension here between the functional and substantial understanding of tradition within neoliberalism.

His acceptance of the importance of traditions was tied with his wish to reform them, because his critical rationalism was ultimately an engine of social reform (Popper 2002a[1948], 176).

If the three of them highlighted the critical importance of epistemological premises to the reform of liberalism, they did not understand it in quite the same way. Hayek and Polanyi advocated a more prudent use of the results of science to transform society, which is reflected in their conception of tradition as seeping through the various spheres of culture and being absorbed into our private knowledge. Their liberalism carried a more conservative flavour, as they thought we could understand the work and functions of tradition, and yet ought to refrain from transforming them in an outright manner, because they were the reservoirs of the tacit social knowledge, and ensured the proper functioning of the market and analogous mechanisms. Like Polanyi, Hayek "contrasted the extent of human ignorance with the hubris of theorists who trafficked in abstractions, and he leveraged this line of analysis to emphasize the importance of respecting both social traditions and the implicit logic of the marketplace" (Burgin 2012, 111-112). Popper's critical rationalism, on the other hand, was a more active and progressive outlook where the individual, guided by theories and ideas, could bring limited change into the world as long as feedback mechanisms were in place to ensure proper corrections whenever failure occurred (Birner 2012: 16). Ultimately, it is the Popperian outlook that prevailed in later neoliberalism, chiefly because Milton Friedman shared with him a similar instrumental view of scientific knowledge, as opposed to the sceptical position of Hayek and Polanyi (Burgin 2012, 162ff).

The argument that traditions embodied the sedimentation of successful interactions supported the critical conventionalism which early neoliberals had adopted. Tradition constituted the progressive evolution of conventions, both methodical and creative, which underpinned our opinions and practices. Far from being endowed with a superior naturality or rationality, traditions were themselves the results of innumerable decisions coordinated through

spontaneous orders. As such, like institutions, they could be revised and changed, provided that one understood and respected their 'unplanned' and 'irrational' design. Early neoliberals agreed that classical liberalism had too much of an anti-traditionalist bias which cut it from its sources and inspiration. Unbridled rationalism had perverted its course, leading to the utopia of an engineered social order under the guise of liberalism and progress. Incorporating tradition as a reflective component helped to forestall the weaker points of liberal theory, notably its perceived over-reliance on "rational" or "natural" principles. In this perspective, the recoding of liberalism at an epistemological level entailed both its reaffirmation as an ideology, while conferring to this ideology a status of meta-ideology, an ideology which could "end" the ideological debate. In that sense, early neoliberals, Mannheim, and someone like Aron all followed a parallel route in trying to position liberalism outside the purview of the ideological arena. I argue that positioning liberalism as the quintessential Western tradition encompassing autonomous science, common law, and tolerant religion, went a long way in the formulation an 'embedded', 'post-critical' or 'post-political' liberalism.

Working through the concept of tradition exposed one of the weakest point of the neoliberal conventional framework: its lack of foundation and its missing pedigree. It was an emancipatory move as well as a danger which many had perceived in the elaboration of neoliberalism. The design of the rule of law provided a set of principles with which to anchor political legitimacy. But the historical and social legitimacy of liberalism hinged on whether it could attach itself to a narrative which made sense of it superiority. However, the neoliberal epistemology was rather sceptical of liberalism being a "natural" or "rational" doctrine. Since there existed no manifest truth of liberalism, since a foundational moment was forever closed, the revaluation of the concept of tradition played an important role in bridging a scientific liberalism with a historical one. Through

the question of tradition, I conclude that the thematic consensus of neoliberalism need not entail a concordance of opinions.

CONCLUSION: THE MAKING OF AN IDEOLOGY

In this chapter, I have observed three ways in which neoliberalism distanced itself from its predecessor. Once its scientific underpinnings and reform agenda had been drawn, the thorny issue of rallying the masses to its program remained. Crucially, no intrinsic relationship between objective science and a specific social philosophy could be demonstrated. Neoliberals and engineers alike fully embraced the scientific modernism of the 20th century, wherein scientific arguments provided the ultimate source of authority which could arbitrate political and social questions (Caldwell 2010, 42).[73] Hayek admitted just as much in his preparatory notes:

> "Some readers may feel that I myself in many respects hold views so closely related to those I criticise that I am hardly entitled to reject them. Yet fertile criticisms will always only come from persons holding somewhat similar views and the apparently small differences may indeed make all the difference between truth and error."[74]

Beyond institutions, the early neoliberal sociological sophistication had remained rudimentary compared to the output of Marxist and progressive thinkers, as it was made clear at the Walter-Lippmann Conference. The main issue, it was felt, was the sway held by socialist intellectuals over the masses, and the strategy to be employed to dent their hegemony. "The only real aim in my

[73] Cf. Hakfoort (1995).

[74] Notes pertaining to the writing of "The Abuse and Decline of Reason," Hayek Papers, box 107, folder 17; quoted in Caldwell (2010, 42n122).

view," wrote Polanyi to Hayek in 1941, "is the starting of a literary and philosophical movement of our own for the renaissance of Liberalism."[75] More pressing in Europe was the threat of Communist parties taking over the government. The efforts of neoliberals during the war gained a renewed urgency in a context where the confrontation between blocs resembled a war of ideas. Writing to Hayek in late 1948, Jouvenel criticized the choice of the Mont-Pèlerin Society to focus its efforts on defining a position on economic issues:

> "I don't think that the problem of our times is at all the problem of the "working classes." The great disruptive force is not the upsurge of the industrial workers, it is, in my view, and I think in yours, the creation of a vast class of professional intellectuals, receptive to ideas, dealing them out, and who have set into motion beliefs, ideals, dreams, which are wrecking our societies. I think our business lies with these beliefs and not with social arrangements which are being worked out by politicians. I am quite willing to discuss the mistakes of the conception and administration of social security. But not with you. It seems to me a waste of a precious opportunity to reach to the essentials. I had [sic] far rather listen to you on the abuse and decline of reason. What I mean is that the problems implied by your program are those we have to treat daily insofar as we participate in the public life of our times. I don't feel that we need such a collection of excellent people as you bring together for such a purpose. We do need them to deal with essentials."[76]

Jouvenel and Polanyi's worried that the work of the Society merely focused on economic arguments for the defence of liberalism, were heard by Hayek. He had already discussed the natural inclination of engineers and intellectuals to adopt socialism, notably in *The Road to Serfdom*. In writing "The Intellectuals and Socialism" in 1948, Hayek provided a roadmap for the application of the liberal sociology of knowledge with a focus on education and knowledge. He praised the success of socialists in gaining the ears of policy-makers by conquering their ideals before guiding their action. As he believed since his inaugural lecture at the LSE, the process of

[75] Letter Michael Polanyi to Friedrich Hayek, 18 November 1941, Hayek Papers, box 78, folder 35.
[76] Letter Bertrand de Jouvenel to Friedrich Hayek, 28 October 1947, Hayek Papers, box 76, folder 15.

intellectual change could only happen over generations, through the transmission and education of liberal ideals.[77]

Elaborating a liberal sociology of knowledge, Hayek articulated a pyramidal diffusion of political ideas which embraced the social determination of knowledge while preserving the opacity of individual psychology. Of course, the foundation of the MPS (chapter 5) embodied the first of these needs: the constitution of a scientific community whose tacit knowledge united their common worldview. Hayek demonstrated in his article his assimilation of the lesson of the sociology of knowledge: intellectuals occupied a privileged cognitive position vis-à-vis the masses. Their work was to conflate a general philosophy with the common sense of their audience and readers. Only at the level of philosophy were there significant battles to be fought, as opinion leaders and traditional intellectuals tended to reprise those ideas *second-handedly*. At the same time, intellectuals did not float above society as if belonging to a detached, "pure" sphere. Hayek highlighted the role of "institutions, networks and organizations" and their rapid spread in expanding the reach of the intellectual and his influence. The role of intellectuals as knowledge filters and disseminators was, according to him, a "fairly new phenomenon of history" and a by-product of the mass education of the non-propertied classes. Due to their social status and experiences, such intellectuals or "secondhand dealers in ideas" were primarily leaning towards socialism (Hayek 1997[1949], 221). Between theoretical speculation and popular adoption lay a gap which post-war neoliberals wrestled to fill. Hayek lamented in 1946 that:

> "All the "blue-prints" of a future order of society from which the popularisers, including, I am afraid, not only the *press* and the *radio*, but also the *school* and the *church* largely

[77] Here, Hayek follows Keynes' famous words at the end of the *General Theory*, where he writes that: "Practical men, who believe themselves to be quite exempt from any intellectual influence, 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" (Keynes 1936, 383-384).

> derive their inspiration, come from the joint efforts of the advocates of a planned society. There are no similar concerted efforts, there are not even the facilities for any such collaboration among the liberals."[78]

The media, the school, and the church: here were the three battlegrounds where neoliberals felt they had lost grounds, and as a consequence, the reason why liberalism had declined as a worldview. These institutions occupied crucial positions in the cognitive training of the masses, and their personnel constituted a vast class of mediating intellectuals who condensed and relayed a systematic worldview to their audience.

Hayek drew two important conclusions from his sociological musings. On the one hand, early neoliberals lacked the large class of supporting scientists and scholars that socialists had. The Society for Freedom in Science had failed to reach beyond a limited constituency and to provide a solid foundation for a liberal organization of scientists. There existed a dearth of liberal activist among scientists and intellectuals themselves. Many were liberal by tradition, not by conviction. On the other hand, neoliberal lacked specific institutions and organizations which were able to mediate their ideas and filter them depending on the audience they wished to address. Their incursion into the public sphere depended upon the recruitment of a vast class of supporting middlemen who would fight the prevalence of interventionist and socialist ideas in the media. The first task was that of the Mont Pèlerin Society, which principally gathered scientists and academics and was devoted to formulating a coherent systematic vision. The second task was to be tackled through dedicated organizations, modelled on the societies and clubs which had done so much for the propagation of socialism: *think-tanks* (Plehwe and Walpen 2006, 33).[79]

[78] "The Prospects of Freedom," Hayek Papers, box 61, folder 9, p. 9-10; my emphasis.

[79] Dieter Plehwe remarks that: "Contemporary neoliberalism copied, extended, and refined *elitist* efforts on the Fabian model to effectively organize the power of knowledge and ideas across borders" (Mirowski and Plehwe 2009, 7).

To translate the abstruse arguments regarding the superiority of the market into actionable arguments and policy orientations, neoliberals wanted to move on from a critical discourse typical of their academic writings, towards a more positive and programmatic ambition. "What we lack," Hayek boldly announced, "is a liberal Utopia, a program which seems neither a mere defense of things as they are nor a diluted kind of socialism, but truly liberal radicalism. […] The main lesson which the true liberal must learn from the success of the socialists was their courage to be Utopian which gained them the support of the intellectuals" (Hayek 1997, 247). Instead of sticking with what was possible and realistic given the constraints of spontaneous order, neoliberals needed to articulate a large and inspiring vision which could seduce and enroll the idealist sleeping inside each intellectual.

In *The Road to Serfdom*, Hayek had announced that: "Probably it is true enough that the great majority are rarely capable of thinking independently, that on most questions they accept views which they find ready-made, and that they will be equally content if born or coaxed into one set of beliefs or another. In any society freedom of thought will probably be of direct significance only for a small minority" (Hayek 2007, 179). This assumption shaped the neoliberal sociology of knowledge: its theoretical production was useless to the masses, and risked being misinterpreted. Early neoliberals, and Hayek in particular, followed the logic of this argument deep into the establishment of the Mont-Pèlerin Society. Since the masses rarely elevated themselves from opinion to truth by using the scientific method, it became key to the strategy and success of a liberal movement to control and manage the information and message that reached them. What mattered most was the creation of a hegemonic environment in which neoliberal ideas would be adopted by the masses not by conviction, but merely by habit and familiarity. Whereas the first objective was to constitute an army of neoliberal *avant-garde*, the second one was to manufacture the world around individuals and disseminate the ethos of neoliberalism through a new language and

through new practices. This new spirit of liberalism entailed the adoption of a cognitive structure which acknowledged the same division neoliberals had discovered: the separation between a sphere of lawful knowledge and institutions, and a sphere of ignorance and spontaneous ordering. In a sense, the neoliberal sociology of knowledge, instead of fulfilling the emancipatory promise of Mannheim's work, wrong-footed its ambition by cynically using its insights to protect the intellectual prestige of its proponents. This epistemic ambivalence between a scientific research program and an ideological account of its superiority paved the way for the long-term resilience and success of neoliberalism as a social and political philosophy.

CHAPTER 5

THE ROAD TO MONT-PÈLERIN

> Those who argue that we have to an astounding degree learned to master the forces of nature but are sadly behind in making successful use of the possibilities of social collaboration are quite right so far as this statement goes. But they are mistaken when they carry the comparison further and argue that we must learn to master the forces society in the same manner in which we have learned to master the forces of nature.
>
> Friedrich Hayek (2007[1944], 212)

As I have argued until now, early neoliberals focused some of their wartime efforts on restoring the public authority of science as a universal project tied to liberalism. The totalitarian impulses of European nations, they reckoned, had been enabled by the corruption of the liberal tradition and the abandonment of its scientific methodology. Hence, they portrayed the principles of liberalism and the foundations of science as interdependent and coextensive. In a distinct manner, the early neoliberal ideology linked epistemological arguments about what was methodologically sound or unsound, to political claims about what could be feasibly achieved, and to a moral distinction between the true and false values of Western civilization.

The critical literature on early neoliberalism has overwhelmingly emphasized these political and moral dimensions, requalifying neoliberalism either as an hegemonic project (Plehwe and Walpen 2006), or as an attempt to defend capitalist interests (Dixon 1998, Harvey 2005). In describing the intentions of the early neoliberals from the vantage point of the last decades, its strategic and tactical dimensions have loomed large. Angus Burgin (2012) and Serge Audier (2012a, 2012b), two of the most comprehensive historians of early neoliberalism, read its emergence as the outcome of a political project – albeit one fraught with contradictions – motivated by the objective of restoring the ascendency of economic liberalism. While the political currency gained by neoliberalism was decisive for its later success, my research proposes a complementary perspective: in order to overcome the economic, political and spiritual crisis of the 1930s and 1940s, early neoliberals first turned towards a reformation of their scientific worldview. Their critical epistemology, therefore, occupies an architectonic place, which holds together their scientific, political, and moral claims in place.

As I have established in the previous chapter, both early neoliberals and left scientists were committed to the idea that the rational method of science was the foundation to an ordered reconstruction of society after the war.[1] Yet obviously, both had different conceptions of what the scientific method represented, and how it was to be employed. Early neoliberalism, I have proposed, did not coalesce around a distinct set of political goals or values, nor around the vision of a "good society," but rather around the enforcement of methodological rules. Adopting a conventional epistemology entailed an acknowledgement that there existed "no hard-and-fast rules fixed once and for all," as Hayek openly remarked in the opening chapter of *The Road to*

[1] For instance, Caldwell notes that during the context of the writing of Hayek's *Road to Serfdom*: "Progressive opinion was united behind the idea that science was to be enlisted to reconstruct society along more rational lines" (Caldwell 2007, 12).

Serfdom (Hayek 2007[1944], 71). Alone, this key pronouncement symbolises the discontinuity and novelty of the early neoliberal program.

This chapter surveys the numerous attempts of early neoliberals to outline a distinctly liberal doctrine following the war, one which could directly influence intellectuals and public policy. As in the 1930s, the restauration of competitive markets remained largely inaudible, while partisans of a mixed or state economy were riding on the success of wartime planning and centralization. Having just arranged for the French translation of *The Road to Serfdom*, Rougier wrote to Röpke in November 1945 that despite the contributions of Mises and others, the war "had been won" by Laski as "Europe [and] Great Britain are now possessed by a nationalization frenzy."[2]

Between 1944 and 1947, neoliberals did not flesh out a renewed "agenda for liberalism" destined to the elites of a new-born Europe. Rather, they sought ways to regain ideological grounds. Some of them – Michael Polanyi, Wilhelm Röpke, and William Rappard – were already well versed in exposing the values of a revamped liberalism to a larger audience. On an organizational level however, the willingness of many neoliberals to regroup was faced with increasing complications. Most notably, the network of institutions centred around Geneva and Paris, which had supported their steps towards the constitution of a liberal science, had all but vanished. New sources of support proved more difficult to find and were provided with more financial strings attached.

The next sections deal with the institutional reset of neoliberalism, from the publication of Hayek's *Road to Serfdom* in 1944 to the foundation of the Mont-Pèlerin Society in 1947. My objective is to situate these cornerstones of neoliberalism in the immediate context of the deployment of post-war neoliberalism. In this process, the thematic continuities with earlier neoliberal efforts

[2] Letter Louis Rougier to Wilhelm Röpke, 14 November 1945; quoted in Hartwell (1995, 24).

constitute its most defining features. The first section is devoted to Hayek's *The Road to Serfdom* and illuminates the persistence of his epistemological program from his wartime writings – most of which would be published in a book form well after the war – in his best-seller. In the second section, I observe Hayek's idea of an international academy of liberal scholars, one of many such proposals: the embryonic development of the Mont-Pèlerin Society resulted from transnational negotiations around the core principles and boundaries of neoliberalism. Finally, taking a closer look at the proceedings of the Mont-Pèlerin Society's original conference, I shed light on the deep-seated coherence of its debates with the pre-war agenda of liberalism as discussed in Paris nine years earlier. Decisively, while the constitution of the MPS marked a crowning moment for the consolidation of early neoliberalism, it would paradoxically trigger its downfall, as interests and personnel foreign to this early impulse would quickly come to dominate its later agenda.

PART 1. RECONSIDERING *THE ROAD TO SERFDOM*

"The popular success of *The Road to Serfdom*," reflected Hayek decades later, "was a complete surprise to me" (Hayek 1994, 90). Published in England in April 1944, the pamphlet became an editorial success, bringing fame to its author on both sides of the Atlantic. In many ways, it constituted the twin to the unexpectedly large audience of the Beveridge Report published in December 1942 (cf. Harris 1997). Its feat as a worldwide best-seller, and its status as a founding document of post-war neoliberalism, were an accident only made possible by the condensation of the book in the April 1945 edition of the American *Reader's Digest* which had, at the time, a

circulation of around 8,750,000.[3] In fact, the first draft had been completed in manuscript form as early as the summer of 1942[4] and the long quest to find an American publisher (it would take three years) had started immediately after.[5] Reminiscing about the context of its publication, Hayek admitted that the book had been intended as the second part of his *Abuse and Decline of Reason* project: one which was "adjusted to the moment and wholly aimed at the British socialist intelligentsia. […] That the book […] attracted attention in America at all," he conceded, "was a completely unexpected event" (Hayek 1994, 90). Indeed, the American reception of the book, exceeding the author's intentions and expectations, popularized his ideas (often at the price of distorting them) and secured his position at the centre of the early neoliberals network (Caldwell 2007; Audier 2012, 218ff; Burgin 2012, 87-91).[6] Whereas reviewers in the United States generally considered the book a plea to restore classical liberalism,[7] academic critiques in Britain acknowledged that Hayek was offering a way forward, not backwards.[8]

[3] Importantly, the condensation published in the *Readers' Digest* expunged nearly all the parts of the original book in which Hayek pronounced in favor of state interventions (Caldwell 2007, 19-20).

[4] Hayek had shared his strivings in completing the book in April 1942 in a letter to Wilhelm Röpke: "I wish I could promise you my own "Road to Serfdom" for the near future. But I find this sort of composition incredibly difficult, and though I have not worked on it off and on for more than eighteen months and although everything except one or two final chapters is now on paper, I am still not certain that I shall ever finish it – quite apart from the increasing difficulty of publishing. It is, as I must have mentioned before, just a greatly enlarged version of my argument in "Freedom and the Economic System," and contains, I believe, some important stuff, particularly a detailed discussion of the reasons why central planning and the rule of law are incompatible. The other parts are highly unsatisfactory – and at the moment I feel so tired out that I doubt whether I shall succeed in pulling them right." Letter Friedrich Hayek to Wilhelm Röpke, 9 April 1942, Hayek Papers, box 79, folder 1. See also Caldwell (2007, 10).

[5] This story is told in great detail in Caldwell's introduction to *The Road to Serfdom* (Caldwell 2007, 15-18).

[6] *The Road to Serfdom* demonstrated a propensity, *Harper's* magazine noted, for being "accepted in fragments and misused for childishly partisan purposes" (quoted in Burgin 2012, 92).

[7] See in particular the edifying front page review by Henry Hazlitt – future founding member of the MPS – published the Sunday after publication in the *Sunday Times Book Review*. This considerably boosted the domestic and foreign interest for the book. See the "Note on Publishing History," in Hayek (2007, 264).

[8] Both Barbara Wootton and Evan Durbin wrote reviews which discussed Hayek's proposals in details (Caldwell 2007, 21-28).

In the end, the fame Hayek gained through the publication of *The Road to Serfdom* contradicted his ambition to weigh in on the English scientific debates: its popular reception as a radical free-market manifesto did not reach its intended audience. The avowed intention of the book had been to warn against a reappearance of the German situation post-WWI, when socialists with a scientific background promoted the use of wartime planning during peacetime. Hayek's anxiety of history repeating itself lay in the background of much of his quarrels with socialist scientists, and with Karl Mannheim.[9] Particularly vivid in Hayek's mind was the example of Otto Neurath who, after his work at the Scientific Committee for War Economics and during his tenure as president of the Central Planning Office in the short-lived Bavarian Soviet Republic, advocated a centrally planned economy where money would be abolished and exchange would be made in kind (see chapter 2).[10] In the same way, the preceding chapter showed that the *Tots and Quots* and other "men of science" advocated similar ideas for the peacetime extension of war measures, arguing that, ultimately, war organization had revealed the soundness of rational and scientific planning once and for all.[11]

My treatment of the *Road to Serfdom* thus focuses on its thematic continuities with Hayek's wartime project. If anything, the cheeky dedication to "Socialists of all Parties" demonstrated that the book was intended as an extension of Hayek's argument against British socialists, and not as a

[9] Hayek claimed that: "The following pages are the product of an experience as near as possible to twice living through the same period" (Hayek 2007, 57). On this clear inspiration for *the Road to Serfdom*, see Caldwell (2007, 11-12).

[10] In a fascinating piece of correspondence, Otto Neurath actually responded to the publication of "Scientism and the Study of Society" with a long letter attacking line by line Hayek's biased rendition of his intellectual work, subsequently inviting Hayek to debate publicly. Hayek declined to do so pretexting to be working on other projects. Neurath's death in December 1945 cut short any possibility of such a debate ever taking place. Letter Otto Neurath to Friedrich Hayek, 26 July 1945, Hayek Papers, box 40, folder 7.

[11] For instance, this typical excerpt from a *Nature* editorial of 1940, probably written by a member of the *Tots and Quots*: "The work must not cease at the end of the War. It does not follow that an organization which is satisfactory under the stress of modern warfare will serve equally well in times of peace; but the principle of the immediate concern of science in formulating policy and in other ways exerting a direct and sufficient influence on the course of government is one to which we must hold fast. Science must seize the opportunity to show that it can lead mankind onward to a better form of society" (*Nature* 1940: 470).

programmatic book for neoliberalism.[12] Already in 1942, Hayek regarded his proof of the incompatibility of the rule of law with central planning as "important stuff."[13] I therefore focus on two themes from the book which have attracted less attention in the literature: the character of the rule of law, and the persistent anti-sociologism. These two aspects demonstrate how conventionalism informed Hayek's activist stance on law, while neutralizing the sociological critique of economic liberalism.

The rule of laws

Neither planning nor *laissez-faire*, "the liberal argument," writes Hayek in *The Road to Serfdom*, "is in favour of making the best possible use of the forces of competition as a means of coordinating human efforts, *not an argument for leaving things just as they are*" (Hayek 2007[1944], 85; my emphasis). Indeed, Hayek regretted that "nothing has done more harm as the insistence on certain rules of thumb, above all *laissez-faire*" (*ibid.*, 71). Instead of the political gospel of *laissez-faire*, Hayek wished to safeguard the heuristic mechanism of competition primarily through an active revision of the legal structure: "Any effective competitive system needs an intelligently designed and continuously adjusted legal framework as much as any other" (*ibid.*, 88). Adopting this conventional understanding of legal rules stresses their artificial as well as dynamic nature. In this

[12] Bruce Caldwell writes: "By the time that World War II was beginning, then, Hayek had criticized, in a book, a journal, and in the classroom, a variety of socialist proposals put forth by his fellow economists. *The Road to Serfdom* is in many respects a continuation of this work, but it is important to recognize that it also goes beyond the academic debates. By the end of the decade there were many other voices calling for the transformation, sometimes radical, of the society. A few held a corporativist view of the good society that bordered on fascism; others sought a middle way; still others were avowedly socialist – but one thing all agreed on, that *scientific planning* was necessary if Britain was to survive" (Caldwell 2007, 8; emphasis in the original).

[13] Letter Friedrich Hayek to Wilhelm Röpke, 9 April 1942, Hayek Papers, box 79, folder 1. While Hayek only provides one chapter about the "Rule of Law" in the *Road to Serfdom,* this concept will come to occupy a major position in his later *The Constitution of Liberty* published in 1960. Beforehand, in 1955, Hayek gave in Cairo four lectures entitled "The Political Ideal of the Rule of Law." These lecture have been published as part of *The Market and other Orders* (Hayek 2014, 119-194).

framework, their legitimacy moves away from a question of origin towards that of formal qualities, that is, the fulfilment of axiomatic premises. Typically, no claim is made regarding the pedigree of laws, or their subservience to a higher, transcendental type of law, be it of a metaphysical, moral, natural, or rational character.

For early neoliberals, it was their willingness to learn "the grammar of constitutionalism" that separated them from their foes.[14] The "Rule of Law," Hayek explained, was opposed to the "socialization of the law" as embodied by the German Free Law School (Hayek 2007, 117).[15] Against the claims that laws—like science—represented social tools tailored towards improvement and progress, early neoliberals retorted that the legal—and scientific—rules should only serve as regulatory frameworks for the economic and social agency of individuals. On the one hand, this position aimed at preventing the theory of law from being reduced to social and political determinants, thereby preserving its neutrality. On the other hand, the admission of the plasticity of law did not imply that its production and application needed to be seen in purely instrumental terms. Only stable axioms – or "constitutions" – could ensure the permanence and legitimacy of subsequent laws. This is how Hayek primarily understood the concept of the "rule of law."

The question of the legitimacy of law in a conventional framework had been at the core of the judicial debates of the 1930s in Europe. In *The Pure Theory of Law* published in 1934, Hans Kelsen had attempted to insulate the theory of law from ideological and political contamination. He had

[14] This expression is taken from these lines by Lippmann: "the promise of liberty to mankind will be unrealized and continually frustrated until the logic of liberalism has been much perfected. We can see the promise, as Francis Bacon in *The New Atlantis* could see the promise of the physical sciences. But we cannot proceed fast or far from promise to performance until we have really learned the grammar of constitutionalism, have acquired it as the intuitive habit of our minds, as the normal idiom of our behavior" (Lippmann 2005[1937], 343). The importance of constitutional thought in neoliberalism (especially for Walter Eucken and Friedrich Hayek) sharply distinguishes it from libertarianism and minimal-state liberalism, notably in the variant of Robert Nozick.

[15] For an overview of the German Free Law School, see Foulkes (1969). For its influence over American Legal Realism, see Herget and Wallace (1987).

led his research in Geneva, in close contact with the early neoliberals who constituted a good part of the faculty there (William Rappard, Ludwig von Mises, and later on, Wilhelm Röpke). Kelsen's legal theory resembled the scientific elaborations of early neoliberals in two separate ways. Firstly, they both presupposed that scientific or legal inquiries can take place only once ultimate axioms are agreed upon and systematized. Secondly, both adopted a strong variant of conventionalism, in which superior laws capacitated inferior rules in a pyramidal fashion. Thus, the validity of these overarching axioms (Kelsen's "basic norm") was key to the stability of the system. Since the system did not depend upon transcendental obligations or categorical imperatives, its maintenance ultimately relied on faith.[16] Finally, the acceptance of this basic norm is demanded only from participants for whom it is relevant for the implementation of their practice. Thus, embracing this axiomatic norm was a matter of decision, not something dictated by a universal Reason. I posit that this shared acceptance of constitutional obligation mirrors the way in which a scientific community embraces the premises upon which their discipline is built. In the field of law as well, adopting a robust conventionalism provided theoretical resources for describing old structures in new ways, thereby legitimizing them once more against their historicist or sociological critiques.

Equally for Hayek, laws derived their legitimacy and authority from the way they were inserted into an overarching system, and, as such, accepted by a community of practitioners. In that sense, they were extremely similar to scientific conventions. Hayek's theory of law emulated the underlying cause of scientific progress: the commitment towards laws which were revisable, and could not be proven "true" or "natural" in any realistic way. Nonetheless, these basic rules, some of them methodological, constituted an axiomatic framework within which subsequent theories

[16] Kelsen writes: "The Pure Theory describes the positive law as an objectively valid order and states that this interpretation is possible only under the condition that a basic norm is presupposed […]. The Pure Theory, thereby characterizes this interpretation as possible, not necessary, and presents the objective validity of positive law only as conditional—namely conditioned by the presupposed basic norm." (Kelsen 1967[1960], 217-218).

could be nurtured and developed.[17] Here, the "rule of law" did not mean that each and every individual was under the protection of the law, but that the law itself embodied the same formal qualities which scientific laws possessed: generality as opposed to particularity, neutrality as opposed to partiality, integration into a logical system as opposed to a series of *ad hoc* decisions, and, most important of all, predictability as opposed to expediency.[18] This illustrated Polanyi's idea that participants in a market economy, in the judicial system, or in the scientific community, employed the same *method* of coordination within which some recognized "rules of the game" – or as Rougier has popularized: a "Highway Code" – are of first importance. If the law was indeed conventional, its instrumentality was severely circumscribed by formal and methodological conditions. This analogy of character, I contend, directly derive from the epistemological premises elaborated by early neoliberals, participating to the recoding of liberal tropes upon this conventional matrix.

In a central passage which could describe scientific conventions as well as legal rules, Hayek wrote that: "formal rules are thus merely *instrumental* in the sense that they are expected to be useful to yet unknown people, for purposes for which these people will decide to use for them, and in circumstances which cannot be foreseen in detail" (Hayek 2007, 114; my emphasis). Very much like methodological rules, this limited instrumentality balanced a measure of ignorance against a detailed knowledge of consequences because "precise results cannot be foreseen" (*ibid.*, 115). Understood as such, the framework of the rule of law enabled individuals to make better and safer predictions about the behavior of regulatory agencies and other agents. It guaranteed the

[17] The rule of law, writes Hayek, "limits the scope of legislation" (Hayek 2007, 120).

[18] In the *Good Society*, Lippmann defined these formal qualities as those belonging to the spirit of law, or "higher law," mainly consisting the moral principles of non-arbitrariness and the refusal of personal prerogative: "The denial that men may be arbitrary in human transactions is the higher law. […] Constitutional restraints and bills of rights, the whole apparatus of responsible government and of an independent judiciary, the conception of due process of law in courts, in legislatures, among executives, are but the rough approximations by which men have sought to exorcise the devil of arbitrariness in human relations" (Lippmann 2005[1937], 346).

necessary legislative stability upon which a market economy is believed to thrive. The epistemological rationale supporting this scope of the rule of law was thus analogical to the one used for justifying freedom in science or in the market economy: once constitutional rules were adopted and upheld, the spontaneous and unplanned coordination of agents within their respective framework produced higher social outcomes. Ultimately, "freedom" as such remained instrumental to the workings of these suprahuman institutions insofar as they were constrained by a set of general and universal rules. Like academic freedom, it represented, in fact, a stringent adhesion to a common set of ethical and moral principles enforced by a sanctioned authority.

For early neoliberals, the framework of the rule of law sifted licit social policies from illicit ones: like scientific laws, they ought to be blind to their potential applications. Enshrined principles of generality and neutrality meant that these policies could not target specific population, only establish universal benefits. In this regard, the state occupies a privileged position as the only true general and universal institution: "where we deal with genuinely insurable risks," Hayek writes, "the case for the state's helping to organize a comprehensive system of social insurance is very strong" (*ibid.*, 148).[19] Early neoliberals did not reject all forms of state intervention outright. On the contrary, they were adamant that more ought to be done to alleviate poverty, as long as these social measures passed the test of conforming with the price mechanism. Reducing inequality through state interventions, and crucially, through redistribution, constituted an infringement upon the catallactic effects of market relations. Only if left untouched, the same way scientists needed free reins, would the price mechanism fulfil its signalling role in the most effective way.

[19] For instance, a universal basic income constitutes a permissible intervention because it does not target particular segments of income or professional categories. Hayek writes that a minimum income for all "can be provided for all outside of and supplementary to the market system" (Hayek 2007, 148).

Sociological hazards

The critical literature on the *Road to Serfdom* pays a great deal of attention to Hayek's argument that mild forms of collectivism pave the way to totalitarianism – the so-called "inevitability thesis" against which Hayek defended himself vigorously. Hayek would eventually recognize that his fear was unfounded, and that the welfare-state had not represented as imminent a risk as the book portrayed it.[20] Yet, the political arguments wielded by early neoliberals shared some similar features, many of which were epitomized in Hayek's pamphlet. Firstly, collectivism was the reign of special interests while market relations represented the true public interest (Hayek 2007, 162). Secondly, collectivism concentrated power in administration whereas a competitive society kept power disseminated (*ibid.*, 165). Thirdly, collectivism was based on an instrumental application of the social sciences which distorted truth, whereas neoliberalism respected the true scientific method, its generality and universality (*ibid.*, 170).

This last item in particular, a trace of Hayek's intellectual context in Cambridge in the early 1940s, was developed in an entire chapter titled "The End of Truth." There, Hayek pursued the same discussion engaged with Rougier, Polanyi, Popper, and Lippmann in the late 1930s: that the advent of totalitarianism had revealed the downfall of that highest value of Western civilization: "the sense of and the respect for truth" (*ibid.*, 172). He warned, like his counterparts, of the perversion of language at the heart of totalitarian propaganda, wherein myths "based on particular views about facts […] are then elaborated into scientific theories in order to justify a preconceived opinion" (*ibid.*, 174). Science and truth would thus be made expedient to the realization of a pre-

[20] See Hayek's introduction to the 1956 American paperback edition, where he writes that: "though hot socialism is probably a thing of the past, some of its conceptions have penetrated far too deeply into the whole structure of current thought to justify complacency" (Hayek 2007, 44), and: "Of course, six years of socialist government in England have not produced anything resembling a totalitarian state. But those who argue that this has disproved the thesis of *The Road to Serfdom* have really missed one of its main points: that the most important change which extensive government control produces is a psychological change, an alteration in the character of the people" (Hayek 2007, 48).

conceived plan, treating criticism and doubt as political insubordination: "Every activity must derive its justification from a conscious social purpose. There must be no spontaneous, unguided activity, because it might produce results which cannot be foreseen and for which the plan does not provide" (*ibid.*, 177). In an illuminating passage, Hayek reminded his readers of the "general intellectual climate" in which he wrote *The Road to Serfdom*, one in which:

> "the spirit of complete cynicism as regard truth […], the loss of the sense of even the meaning of truth, the disappearance of the spirit of independent inquiry and of the belief in the power of rational conviction, the way in which differences of opinion in every branch of knowledge become political issues to be decided by authority, are all things which one must personally experience" (*ibid.*, 178; my emphasis).

The Lysenko affair had provided an arresting case in point for the dangers of such a trend. In all its publications, Polanyi's Society for Freedom in Science had discussed this case as the logical result of the politicization of science under totalitarianism (see chapter 1). Particularly abhorrent to Hayek were the British scientific writers who disseminated a sociological vision of science at the service of the aims and goals of one particular class (*ibid*., 178-179).

Furthermore, the public discourse of science had been largely transformed between the two wars, when a new generation of scientists repudiated the long-standing view that science and society existed in reciprocal isolation (see chapter 1). In the early neoliberal story, the development of state-sponsored science exclusively coincided with the subordination of scientists to the state's interest. In Germany, Great-Britain, and France respectively, Emil du Bois-Raymond, J. B. S. Haldane, or Jean Perrin, were the paradigmatic figures of the "scientist-politician." This "scientistic" tradition, of which Ostwald (cf. Hakfoort 1992) was one of its earliest spokesperson, represented the hubristic will of the men of science to organize and rationalize society "through and through" (Hayek 2007, 200) so as to eliminate "the two realities they most hate, i.e. human liberty and the historical action of the individual" (*ibid.*, 202). Using Benda's word, Hayek thought

that these scientists had "betrayed" their vocation by using their scientific authority and prestige at the service of a particular political orientation.

All the early neoliberals shared the apprehension that once opinions and truths were explained away through sociology, they became instrumental to the realization of some grand social plan. For them, a comprehensive sociology of knowledge represented the most insidious form of the politicization of truth under the guise of its refinement. Mannheim's claim that his scientific work could not be dissociated from a collectivist political project did nothing to placate their fears. On the contrary, it justified their assumptions that since, according to sociologists, the growth of reason was a social process, it could be planned under the direction of a conscious social mind. Sociology was inherently hubristic in its reach, and was certain to bring down the edifice of science and knowledge, once it put itself at the service of an ideology.

Hayek's denunciation of the left scientists' "agitating for a 'scientific' organization of society" (ibid., 200) as "Totalitarians in our midst" (*ibid*., 193-209) represented a characteristic illustration of the neoliberal anti-sociological imagination. I have shown in the preceding chapters how much left scientists and early neoliberals differed from each other upon the teleology of science, particularly regarding the historical progress of the West: one pictured it as the continuous growth of our technical and organizational control, while the other imagined a progressive harnessing of the increasing complexity of industrial society to diverse regulatory frameworks. As a result, early neoliberals professed an indeterminate "humility" of our individual knowledge before the spontaneous forces of society (*ibid.*, 179-180). In their narrative, once the stage of the industrial revolution had been reached, the division of knowledge made it impossible to return to simple causal mechanisms. The complexity of human affairs had altered the epistemological make-up of the social sciences, whilst the market mechanism had revealed the power of impersonal institutions in enabling the growth of reason and civilization (*ibid.*, 212). Western civilization,

which totalitarianism was destroying, had thus appeared and developed as the direct result of an epistemological state of mind: one which valued ignorance over control, and spontaneous coordination over organization.

In the end, I perceive an apparent paradox at the core of the epistemological thought of early neoliberals. Whereas their conventionalist epistemology aimed to contain the political contamination of science by setting up methodological fences around it, they endorsed truth as a transcendental value, guiding our efforts towards the attainment of valid knowledge. Here, it is important to distinguish between two concurrent understandings of truth: that of absolute truth, as opposed to partial truth, as the outcome of scientific inquiry (something early neoliberals rejected); the other is truth as a regulating ideal of scientific inquiry as opposed to social interests (something neoliberals thoroughly embraced). Early neoliberalism is thus situated at the intersection where this moral preoccupation with the fate of truth meets with the establishment of a conventional epistemology. The discovery of truth, its communication, and, ultimately, its acceptance, constituted privileged topics for the social sciences; yet early neoliberals constantly reminded their readers, with no lack of admonishment and recrimination, of the "humility" which science and truth demanded of us. As I have argued in the previous chapter, the solution to this paradox rested with the adoption of a form of sociology of knowledge, one befitting early neoliberalism. The ideological character of neoliberalism, I contend, critically relied on this recoding of knowledge, operated through philosophy, sociology, and psychology.

Thus, my analysis discloses that *The Road to Serfdom* represents another illustration of the pivoting strategy that early neoliberals engaged with their opponents; one which acknowledged and integrated the questions they raised, while dismantling their pretensions to the mantle of science through epistemological criticism. Before the end of the war, this posture had remained mainly defensive, working in the shadow of totalitarianism. After the war however, these same

arguments acquired a more militant and offensive tone, leveled against trade unions, left politicians and, of course, sociologists and radical scientists. While it is tempting to read *The Road to Serfdom* as anticipating the post-war period, a close reading finds little indication of the relevance of the book for times to come. As a text, it spelled out Hayek's wartime project of refuting the pretensions of left scientists to use the authority of science and their scientific prestige to perpetuate their political values through public activism or administrative work.[21] The strength of the Social Relations of Science movement at that time, and their important deployment in Cambridge where Hayek elaborated most of the manuscript, ought to serve as a reminder that the early neoliberal project centred first and foremost on the political aspects of scientific methodology and of the practice of science.

PART 2. BUILDING A LIBERAL ACADEMY

The Road to Serfdom was then a blessing in disguise. Despite his reservations towards its reception, Hayek readily recognized that his new-found stature "could be leveraged to establish intellectual

[21] Audier detected that, although the Walter-Lippmann Colloquium had adopted a "constructivist" attitude towards markets, Hayek seemed to give more importance to spontaneous orders as impersonal processes of direction from *The Road to Serfdom* on (Audier 2012b, 218). In our opinion, Audier's distinction obscures more than illuminates the amount of shared thought within neoliberalism. Audier's opposition between Hayek's spontaneist orientation and Rougier's constructivist one as the basis of their social theory is unsubstantiated as their epistemological options remain fairly consistent. This argument supports Audier's view that Hayekian neoliberalism departs sensibly from the consensus built at the WLC. We have endeavored to show that, on the contrary, it is more convincing to understand these evolutions as being reciprocally shaped, and not in any way divergent. As we have seen in chapter 3, Rougier as well speaks of submission to impersonal processes and of spontaneous equilibrium, while Hayek's social theory has been described as being itself largely "constructivist" in the common sense of the word, and not quite in the Hayekian sense (see Mirowski 2013, 55ff). Hayek's idea of spontaneous orders did not cover the whole social world: it remained limited to that sphere delimited by the institutional framework. Yet, Audier is right to underline that Hayek's will to return to history and rehabilitate some classical liberal figures in *The Road to Serfdom* may appear as divergent compared to Rougier's project.

credibility and public support for his ideas" (Burgin 2012, 93). Despite being written with the early 1940s in mind, the book became, upon publication, considered as a political manifesto against the welfare state and the extension of wartime planning measures in times of peace. Concurrently, it also attracted the attention of American pro-business groups interested in countering the encroachment of public companies and administrative regulations upon their activities. Hayek's lecture tour of the United States in 1945 allowed him to expand the radius of his network in Chicago, and led to multiple job offers in the United States which he refused.[22] This led Hayek to publicize the idea that a transatlantic Academy may grow from the European seeds of the previous decade.

In 1944, Hayek told a small audience in Cambridge that:

> "Unless opportunities are deliberately created for the meeting as equal individuals of persons from both sides who share certain basic ideals, it is not likely that such contacts will soon be re-established. […] And it seems to me certain that it must come through the efforts of private individuals and not through governmental agencies if such efforts are to have beneficial effects" (Hayek 1992[1944], 203).

By 1945, Hayek's efforts had started to move away from purely academic turf wars. He openly expressed the hope that liberals, following the example of socialist intellectuals, resuscitate the kind of kindred society which had progressively emerged during the 1930s. The flurry of scientific movements in the United Kingdom inspired early neoliberals to amplify their views through an institutional organization. The examples of the Fabian Society, the Association of Scientific Workers, or the Society for the Freedom in Science, provided archetypes of academic-oriented

[22] Hayek wrote to Röpke coming back to England after his lecture tour that: "Encouraging as almost everything was which I saw in America, I feel deeply depressed about most of what I have seen and heard here and about Europe generally since my return. I feel almost a little of a fool having turned down the various offers of a permanent position in America, but I still feel that my first duty is over here – though I do not know how long this feeling will survive in a position in which I am condemned to look at events without being able to do anything" (Letter Friedrich Hayek to Wilhelm Röpke, 27 May 1945, Hayek Papers, 79-1).

organizations whose members, through their personal charisma, achieved a wide dissemination and recognition for their ideas. They used the radio, the press, and academia to influence the public, as well as professional associations and congresses to advance their agenda.

The early neoliberal acknowledgment of the sociological and political dimensions of knowledge production constituted a requisite for new forms of epistemic communities, some which stand "half-way between a scholarly association and a political society."[23] Despite condemning the "betrayal" of the socialist "*clercs*" towards the "ideal of truth," early neoliberals pursued the same collusion of scientific legitimacy ("liberal scientism") with ideological positioning ("liberal sociology of knowledge"). This entailed a "liberal" reading of history and of tradition as a way to, *prima facie*, sanitize them from methodological fallacies. Moreover, early neoliberals discussed post-war neoliberalism not as a passive and stoic enterprise of armchair criticism, but as an active and militant campaign to present "a real alternative to the current beliefs."[24]

Four documents allow me to examine Hayek's post-war "efforts" for establishing this neoliberal organization: three are public conferences, the first two delivered in February 1944 in Cambridge, at the Students' Union of the LSE[25] and the Political Society of King's College[26] respectively, and the third at Stanford University in the summer of 1946.[27] The last one is the Memorandum which Hayek circulated in 1944 and 1945 to prospective members of a potential 'Academy', whose title is worth quoting in full: "Memorandum on the Proposed Foundation of an International Academy

[23] "The Prospects of Freedom," Hayek Papers, box 61, folder 9, p. 10.
[24] "The Prospects of Freedom," Hayek Papers, box 61, folder 9, p. 7.
[25] "On Being an Economist", delivered 23 February 1944 probably in Peterhouse, Cambridge where the LSE had been relocated during the war; published in Hayek (1991, 31-44).
[26] "Historians and the Future of Europe" delivered on 28 February 1944 at King's College, Cambridge. The chair was taken by Sir John Clapham; published in Hayek (1992. 201-215).
[27] "The Prospects of Freedom," Hayek Papers, box 61, folder 9.

for Political Philosophy tentatively called "the Acton-Tocqueville Society"."[28] In these pronouncements, Hayek bridged his wartime intellectual activism with the kind of intellectual entrepreneurship which had given the pre-war neoliberalism its impulse following the creation of the CIERL.

As a way of "clearing our ideas" and "regain a common creed," he proposed his International Academy of Political Philosophy as a "forum on which men of all countries who share certain common conviction can share in a joint study of the moral and political problems which the new developments raise."[29] The three ideals which were to guide the work of members towards the restoration of liberalism were the "observance of universally valid moral standards in politics," the "freedom of all scientific research and all intellectual pursuits," and the "ideals of truth in history."[30] Between the pre-war and post-war, two strong continuities can be identified: first, the commitment to a scientific methodology and worldview and, secondly, the deference towards liberal values as recoded in early neoliberal writings. However, the revision of the liberal historiography constitutes one remarkable difference. In this section, I examine them in turn.

Closed or Open society?

Despite the popular success of *The Road to Serfdom,* the kind of organization Hayek imagined was of a predominantly scientific character. The "International Academy of Political Philosophy" would form a "closed society guided by common convictions."[31] This "closed society of scholars" would be "bringing together persons with a similar outlook" and working on "common problems."[32] As I

[28] A copy is located in the Hayek Papers, box 61, folder 8 (hereafter noted as "Memorandum").
[29] "Memorandum," Hayek Papers, box 61, folder 8, p. 3.
[30] "Memorandum," Hayek Papers, box 61, folder 8, p. 6.
[31] "The Prospects of Freedom," Hayek Papers, box 61, folder 9, p. 10
[32] "Memorandum," Hayek Papers, box 61, folder 8, p. 8.

have shown, the kind of association that Hayek envisioned, espoused the sociological strategy of early neoliberalism: conventional axioms had to be closed off from internal criticism. Their strength depended upon a faith in shared principles, onto which an expanding social theory could be built, and within which scientific problems could be studied from a shared epistemological outlook. Indeed, "no collaboration would be possible unless it was based on a common set of values" (Hayek 1992, 208). Classical liberalism had failed precisely because of the absence of a "coherent social philosophy,"[33] one which now needed to be adapted to the level of complexity and interdependence which had developed in the 20th century.

Consequently, Hayek's academy was far-removed from the Popperian ideal-type of the "open society" (Popper 2013[1945]). Popper's response to Hayek's invitation to join the society illustrated the gap between their respective idea of the relationship between epistemology and politics. Popper worried that a closed society would be viewed as a purely anti-socialist project and insisted that people of socialist leanings be invited and their participation secured. Surprisingly, the main reason which Popper advanced was not that the lack of diversity would hamper the efforts of the academy to reach fruitful and valid conclusions, but that the academy may appear from the outside as an antisocialist vehicle more than a truly liberal one. The issue was one of intellectual positioning more than scientific credibility. To be sure, Popper insisted that his position "was always to try for a reconciliation of liberals and socialists […] everything should be avoided that widens the gulf between those who really love freedom and, might yet be won for cooperation."[34] Popper wished to prevent the academy from giving an appearance of dogmatism which would limit its opportunities as a mediator between the various strands of the wider liberal family, social liberals included (Burgin 2012, 95). At the other end of the spectrum, Mises argued

[33] "The Prospects of Freedom," Hayek Papers, box 61, folder 9, p. 5
[34] Letter Karl Popper to Friedrich Hayek, 11 January 1947, Popper Papers, box 305, folder 13.

that the "weak point" of Hayek's academy was that it relied "upon the cooperation of many men who are known for their endorsement of interventionism."[35]

Between Mises' rigidity and Popper's tolerance, Hayek's plan gravitated towards a traditional model of the scientific community, one in which dialogue and criticism develop in the framework of an authoritative tradition. The neoliberal research program he proposed, one based on premises not open to revision, was consistent with Michael Polanyi's description of the pursuit of science on the basis of shared convictions.[36] "What the members must have in common," offered Hayek in the Memorandum, "is not a political program but the essentials of that liberal philosophy which generations of thinkers have striven to formulate and *which must continue to grow and develop under the renewed study of its problems*."[37] Therefore, early neoliberalism accepted a constructive tension between the poles of formal conventional principles and the revision of a binding tradition, because the adhesion to communal rules necessitated a shared measure of faith and common values.[38]

As chapter 4 untangled, the adaptation of the liberal tradition to a world deemed more complex and interdependent than ever before constituted an active task. What had happened in Germany, and the question of why the liberal tradition did not hold up against totalitarianism, haunted the neoliberal post-war efforts. What Hayek had in mind was thus widely shared among his peers:

[35] Ludwig von Mises, "Observations on Professor Hayek's Plan," Hayek Papers, box 38, folder 24; quoted in Burgin (2012, 96).

[36] A description Polanyi would ultimately complete in *Personal Knowledge*, but whose exposition can be found in "Scientific convictions" [1949] republished in *The Logic of Liberty* (Polanyi 1951, 9-39). The familiarity of this thesis with the Kuhnian view of the history of science is obvious. Despite never being quoted, Polanyi is often acknowledged to be a direct influence on Kuhn's most-well known thesis in *The Structure of Scientific Revolution* (Kuhn 1962).

[37] "Memorandum," Hayek Papers, box 61, folder 8, p. 10; my emphasis.

[38] Hayek announces that: "There must be a common basis of values, on which they are all agreed, an understanding that that broad liberalism which used to be justly regarded as the common property of almost all Englishmen and Americans must form that common foundation." "Memorandum," Hayek Papers, box 61, folder 8, p. 7.

"what needs to be expressed," he wrote regarding the work of the proposed Academy, "is mainly the tradition on which we stand, the timeless truths […] which we have yet to find and the search for which must be the common task of the group."[39] But their relationship with tradition was fraught with ambiguity: these "timeless truths" they aimed to recover needed interpretation and adaptation to the demands of the post-WWII order. Instead of focusing on the disciplines of economics and psychology, this "educational" task which Hayek envisaged for his Academy was reserved for "history" and "historians," for whom Hayek gave as wide a definition as "all students of society, past or present" (Hayek 1992, 203). Historians, not scientists nor economists, "will in the long run play a decisive part… in what is called the 're-education of the German people'" (*ibid*., 203). This was precisely something Hayek thought his proposed Academy would be positioned to lead: carrying out a revision and a pedagogy of the liberal tradition.

Uses and misuses of history

The previous chapter described how Hayek's historical interests during the war mostly focused upon the socialist tradition and its origins in French sociological thinking. However, from the middle of the 1940s onwards, Hayek gained a genuine interest in the historiography and pedagogy of the liberal tradition itself as a means to prop up the neoliberal program. "I am convinced," Hayek said in 1946, "that the historical narrative from which we derive our political ideals and standards cannot be ethically neutral;" political ideals and public morality were acquired "from the way in which history has been taught and current events have been interpreted to us."[40] Here, it may seem that historiographical strategies encroached on the place of the proper scientific method in fanning

[39] "Memorandum," Hayek Papers, box 61, folder 8, p. 10-1.
[40] "The Prospects of Freedom," Hayek Papers, box 61, folder 9, p. 11.

out liberal principles among the population. For Hayek, however, this liberal historiography buttressed the liberal scientist project, that is "the belief in the existence of an objective truth:"

> I cannot see that the most perfect respect for truth is in any way incompatible with the application of very rigorous moral standards in our judgement of historical events; and it seems to me that what the Germans need, and what in the past would have done them all the good in the world, is a strong dose of what is now the fashion to call 'Whig history', history of the kind of which Lord Acton is one of the last great representatives" (Hayek 1992, 207-8).

This proposition of restoring "the supremacy of truth" (*ibid.*, 207) in historical teaching cannot be combined with Hayek's epistemological position of that all truths were ultimately constructed and, to a large extent, unreachable (see *supra*). Thus, the "truth" which Hayek intended to impart to the German "students of society" represented merely a liberal "Whig" view of history, countering the influence of other historical 'truths', of the Marxist flavour in particular.[41]

Hayek believed there existed a great educational demand for historical accounts which restored liberal pride in Germany. Despite his manifold criticism of the older German Historical School, Hayek adopted the same position with regards to European reconstruction by advocating a "liberalism from the Chair" where "objective truth" would be indistinguishable from some variant of a liberal historical narrative. Once one adopted the parameters of Hayek's Whig history, the character of truth within history became merely a matter of ideological adhesion to some predefined "rigorous moral standards."

[41] It is surprising that both Whig history and Marxist-Leninist history tend to share a sense of inevitability of progress and a confidence in the ultimate reasonableness of history. With a heavier dose of skepticism, this is a view largely shared by early neoliberals, for whom the totalitarian ideologies had been an "error", a "corruption", a "maligned stain" on an otherwise progressive liberal record.

Beyond historiography, it is education and the worldview it provided which neoliberals targeted. Hayek posited that through the teaching of a Whig history of liberalism, early neoliberals could offset the socialist bias they felt to be typical of the social sciences of their time. Indeed, there are similarities in Hayek's use of history and what happened in the field of the history of science in the preceding decades. As I have argued in the first chapter, progressive scientists also believed that political ideals, and a certain form of socialist morality, could be disseminated through a transformation of the way the history of science was taught. In both cases, a historiographical revision of the discipline would enable a transformation of scientific opinions.[42] Hayek was quite frank in his admiration of Keynes' view of intellectual change: the effects of intellectual turf-wars and paradigmatic changes were often felt at a distance, one or two generations later, once they had been digested by a new cohort of teachers.[43] Therefore, there existed a gradation in the diffusion and adoption of new ideas: the early neoliberal project to re-establish a valid liberal science would succeed only once educators and intermediaries themselves embraced it. Hence, popular history and vulgarization were key to the restoration of the liberal ideology:

> "But, supremely important as strict adherence to truth is, I do not believe that it is enough to prevent history from being perverted in its teaching. We must distinguish here between historical research proper and historiography, the exposition of history for the people at large.[44] […] I am convinced, however, that no historical teaching can be effective without passing implicit or explicit judgments, and that its effects will depend very largely on the moral standards which it applies. Even if the academic historian tried to keep his history 'pure' and strictly 'scientific', there will be written for the general

[42] "Whether he likes it or not," admonished Hayek, "the historian is in fact the main teacher of political ideals and there can be no question that he as much as the economist or political philosopher […] bears to a large extent the responsibility for what the generation of to-morrow will think." In "The Prospects of Freedom," Hayek Papers, box 61, folder 9, p. 11.

[43] "As a teacher," Hayek declared, "and the historian cannot help being the political teacher of the future generations, he must not allow himself to be influenced by considerations of what is now possible, but ought to be concerned with making what decent people agree to be desirable, but what seems impracticable in view of the existing state of opinion" (Hayek 1992, 214).

[44] Note here that Hayek does not use the word 'historiography' in its conventional meaning.

> public histories which will judge and for that reason will have greater influence" (Hayek 1992, 207-8).

This apparent contradiction between objectivity and partisanship is entirely consistent with neoliberalism's epistemological conventionalism. A share of uncritical adherence always remains at the core of theories, beliefs, and opinions: one set of assumptions cannot be proven right or wrong from its own presuppositions. Since its inception in the 1940s, the neoliberal sociology of knowledge sought to reconcile two incompatible principles: the deference to the scientific method, which lay at the core of its epistemological worldview, and the will to instruct their audience to the benefits of liberalism. This latter part involved a two-pronged approach: one indirect and one direct. On the one hand, it made soliciting these "second-hand dealers of ideas" necessary, because they oversaw the preparation of educational material. By making liberal accounts of history and society available to these institutions of learning (the media, the church, the school), the influence of competing ideologies might be diminished among future generations. On the other hand, building dedicated institutions such as *think-tanks* would offer neoliberals their own means of propaganda and a more direct chance to sway public opinion. The dilemma presented by Robert Marjolin at the WLC (see chapter 3) met there with a curious resolution. To the question of whether neoliberalism is a scientific program or an ideology, post-war neoliberalism answered by insisting on its hybrid character, being both a scientific ideology and an ideological science.

Re-educating the masses

Since early neoliberals reckoned that the public's use of reason was limited, they became chiefly preoccupied with the various ways in which they could direct public opinion from the top down. The most important insight of their sociology of knowledge is their trickle-down version of ideology. At the first conventional and scientific level, it is accepted that truth does not exist independently from a set of principles transmitted through a tradition. Moreover, the commitment

to these principles constitute the test of entry to the community of interpreters; the ultimate veracity of these conceptions could not be verified, only validated through repeated tests and experiments. Whether one chose a strict falsificationist Popperian model, or a more moderate verificationist one (Rougier, Polanyi or Hayek), it was tacitly agreed that none of the precepts of liberalism was set in stone.

Yet, this sceptical and "humble" position was hardly convincing to the general public, because "those who have to apply theory are laymen" (Hayek 1991, 33). As a result, two or more liberal 'truths' may be simultaneously in circulation: an esoteric one destined to a restricted audience who embraces common scientific principles, and an exoteric one intended to a wider circle for whom pamphlets, opinion pieces, and working papers are disseminated. In effect, the eternal lessons of liberalism, as reinterpreted by authorized educators, were destined to the people, while the indetermination and flexibility of liberal science was kept within the bounds of an elite Areopagus. In a situation of ideological competition, the control of the cognitive training of the next generations became crucial. Therefore, the avowed objective of the projected Academy aimed at reaching where traditional scientific organizations could not. In this constant battle of opinion, early neoliberals needed to occupy the front lines. As a conclusion to this lecture, Hayek invited LSE students to have "the courage to be unpopular" (Hayek 1991, 40) and cherish knowledge which has no immediate applicability nor expediency, which "would not be concerned with short-run policies."[45]

This emphasis on historians and the teaching of history, Polanyi wrote in his response to Hayek's Memorandum, was "very stimulating" as "they do largely determine our conceptions of national life, particularly in outside relations. I also feel strong agreement with you when you place the

[45] "The Prospects of Freedom," Hayek Papers, box 61, folder 9, p. 10.

moral conception of history into the very centre of the European problem."[46] Polanyi, perhaps most presciently, had embraced the necessary link between the pursuit of the scientific enterprise, the form of the political regime, and the necessity to employ education – and especially disciplinary history – to initiate and train future participants into that tradition. The "fiduciary" basis which the normal pursuit of science required, represented the conjunction of this rigid yet rational adherence to a set of beliefs. There is thus an elective affinity between a conventionalist framework of knowledge and the ideological necessity of teaching the standards of reasoning one has to employ. History, in the classroom, takes the place of science. "The task of the society," Hayek noted in his Memorandum, "might thus well be called "educational" in the widest sense of the term, constituting an effort to cultivate and to spread beliefs which would have to achieve wide support if the sort of world most people want is to become a possibility."[47] Even before its first meeting, Hayek clearly thought of the Academy as an educational vehicle able to form and transmit a particular ethical worldview. This intention was fully understood by Loren B. Miller, the American business activist, when he wrote to Hayek that the Memorandum:

> "appealed to me as a proposal for an international society of liberals – those in positions of intellectual guidance to help create a new and enlarging series of "belief-circles" in the true liberal tradition. As such it is a keen analysis of the way in which thought patterns are created, and the necessary steps to be taken *to offset presently existing patterns by those which we believe to represent the truth*."[48]

As a result, the question of how to navigate the boundary between academic venture and political society became crucial for the direction of such an Academy. Two competing visions emerged for

[46] Letter Michael Polanyi to Friedrich Hayek, 11 July 1944, Hayek Papers, box 61, folder 7.
[47] "Memorandum," Hayek Papers, box 61, folder 8, p. 10.
[48] Letter Loren B. Miller to Friedrich Hayek, 10 November 1945, Hayek Papers, box 58, folder 17; my emphasis.

the MPS: one as an academic forum, the other as a tactical grouping.[49] In Hayek's mind, the success of the MPS hinged on the reconciliation of these two dimensions.

PART 3. ALTERNATIVE PROJECTS

Far from reinstating classical liberalism or breaking from all pre-war efforts, Hayek's search for the second wind of neoliberalism followed the furrow he had been digging from the late 1930s on. In the run-up to the first meeting of the Mont-Pèlerin Society, other voices shared Hayek's concerns, and agreed that his proposed Academy provided a useful institution where the active and forward-looking aspect of neoliberalism could be developed. Hayek wasn't alone in thinking of reuniting anew the supposedly dispersed liberal troops. By 1946, Wilhelm Röpke and Michael Polanyi had also initiated plans of their own, both attempting to bridge the scientific program of neoliberalism with means for its diffusion.

Röpke's crusade against modern science

Whilst Hayek was spreading the word of his International Academy project, Wilhelm Röpke was also at work gathering liberal forces. Instead of an Academy, his idea was to develop an international periodical in which would expound a collective neoliberal vision. With Hayek's help and assistance,[50] Röpke drew up a list of international collaborators, assembling what was left of

[49] "The genius of such a structure," writes Burgin with perspicacity, "would consist in the very limitations it set on itself. Hayek believed that the most effective way to inspire social change would be to avoid any explicit attempt to pursue it" (Burgin 2012, 102).

[50] Röpke and Hayek discussed the *Occident* proposal both in person and through numerous letters in 1945 and 1946. See the Röpke Papers (not consulted) and the Hayek Papers, box 79, folder 1.

the liberal elite in Europe. Under the title *Occident*, the journal would publish contributions in German, French and English, without translations, targeting the intellectual and cosmopolitan elite responsible for Europe's reconstruction. With the assistance of the Swiss businessman Albert Hunold, Röpke had also secured a financial commitment which would allow the journal to exist for a couple of years. Röpke's project in many ways predated the Hayekian idea of a society: although the goals were the same, the means differed.

During the war, the IUHEI in Geneva had become a place where the program of a liberal science could find a congenial home. Since his invitation to join the faculty in 1937, Wilhelm Röpke had become one of the few permanent professors attached to the IUHEI. His talent as an economist had already been recognized in Germany, and he had taken a chair in Economics in Marburg in 1932, which he left in 1933 when the Nazis took power. After four years spent in Istanbul with his colleague, friend, and fellow neoliberal Alexander Rüstow,[51] Röpke took the chance to move to Geneva to join Rappard, Mises, and Michael Heilperin, in an institution where he felt his influence would be more properly felt than in Turkey. This is where he completed his most well-known work *The Social Crisis of our Times* in 1942 (Röpke 1950[1942]), which would make him famous first in Switzerland[52] but also in other European countries where it was successfully translated during and after the war. Röpke manifested the same determination to overhaul classical liberalism as, later, Hayek in his book *The Road to Serfdom*.[53]

[51] For details on Röpke's exile, cf. Solchany (2015, 65ff).

[52] The success of *Die Gesellschaftskrisis der Gegenwart* considerably increased Röpke's reputation, to the extent that he became a minor celebrity. Letters from enthusiastic readers came by the dozens, artists requested to paint his portrait, or to sculpt his bust (Solchany 2015, 39).

[53] Angus Burgin is right when he says: "*The Social Crisis of Our Time* synthesized a number of reformist ideas that had been circulating among the transatlantic network of neoliberal intellectuals for some time: Lippmann's and Rougier's repudiations of historical laissez-faire and calls for an organized and constructive liberalism, Henry Simons's assault on large corporations, Frank Knight's ethical critiques of an abstract and unhindered competition, and Alexander Rüstow's call for a liberalism that emphasized the moral rather than merely the economic satisfaction of the citizen. It was notable, however, for the sweeping overhaul of modern industrial capitalism that its list of

Beyond economics, Röpke himself was deeply committed to questions pertaining to the future of science. When Hayek sent him his "Counter-revolution of Science" in 1942, Röpke replied enthusiastically, assuring him that:

> "your articles arrived precisely when I was working on a series of articles [...] on "*L'avenir de la science*," in exactly the same vein as you did so successfully. It is an old dream of mine to write a book someday [like] "*Wissenschaft und Gesellschaft*", somewhat inspired by the genius [...] which has produced 70 years ago Candolle's "Histoire des Sciences et des Savants." This is also why I asked you for Crowther's book. I am sorry that it is no longer available, but even more sorry that I bored you unnecessarily as I had overlooked (or not yet seen) Polanyi's criticism."[54]

This letter testified to the fact that early neoliberals shared more than the desire to revise liberalism out of a "sterile alternative" between socialism and "that brand of liberalism which developed and influenced most countries during the nineteenth century and which is so much in need of a thorough revision" (Röpke 1950[1942], 22). They presupposed that any "Third Way" – Röpke's own branding[55] – entailed a revision of the organization of society based on scientific grounds.

Building upon the Memorandum he had presented to the WLC with Rüstow (see chapter 3), Röpke's first concern had been the moral degradation – what he called the "proletarianization" – of Europe. First responsible were the "rootless intellectuals," the real "breeding ground" for socialism because it "is less concerned with the interests of these masses than with the interests

constructive criticisms implied. Cumulatively, Röpke's suggestions carved out an extraordinarily broad space for the economic transformation of the existing financial order" (Burgin 2012, 82).

[54] Letter Wilhelm Röpke to Friedrich Hayek, 19 March 1942, Hayek Papers, box 79, folder 1.

[55] Röpke writes that: "We shall, however, not be far wrong in using such terms as "constructive" or "revisionist" liberalism, "economic humanism" or, as I have suggested myself, the "Third Way." I feel that the last mentioned term has proved reasonably useful since it seems to be neither too comprehensive nor too narrow and above all expresses the main purpose of the new program : the elimination of the sterile alternative between laissez-faire and collectivism" (Röpke 1950[1942], 23).

of these intellectuals, who may indeed see their desire for an abundant choice of positions of power fulfilled by the socialist state" (Röpke 1950[1942], 153). Röpke and Hayek both considered socialism to be first and foremost an ideology created and disseminated by intellectuals, not one which spontaneously emerged from the masses.[56] The battle against socialism was thus better fought amongst intellectual elites than in the ballot box.

Röpke as well considered socialism to be the result of scientific instincts gone wrong. Mathematical and other exact sciences had wished to transform man "by the planning hand of the scientist," making humankind "the object of strictly scientific rationalism" (Röpke 1950[1942], 158). Compared with Hayek, Polanyi and Popper, Röpke's ideas on science follow a series of clichés on the objectification of man by science, and the anti-humanism of applying scientific procedures to society. Once again, Karl Mannheim is singled out as one of the fathers of the "modern social technique" which aimed at transforming society into "a kind of machine" (*ibid.*, 158). In an article published the year before, Röpke also targeted Mannheim and his sociology of knowledge whom "indiscriminate use of the term *"ideology*"" (Röpke 2015[1941]: 501) had fed the folk suspicion that science was never value-free, hence always serving political or sectional interests.[57] Röpke associated the development of a Marxist-inspired sociology of knowledge in the first place, with simultaneous attempts, in the second place, to rescue the "purity" of scientific work. Whereas the former movement uncovered the ideological determinants of each position, the latter insulated

[56] Röpke writes that: It is not the industrial proletariat which is the breeding ground for socialism but the academic and intellectual proletariat and therefore it is here that the danger for society is greatest and a remedy most urgently required" (Röpke 1950[1942], 154). Hayek considered that: "Socialism has never and nowhere been at first a working class movement. […] It is a construction of theorists, deriving from certain tendencies of abstract thought with which for a long time only the intellectuals were familiar; and it required long efforts by the intellectuals before the working class could be persuaded to adopt it as their program" (Hayek 1997[1949], 221).

[57] This article entitled "A Value Judgment on Value Judgments" was first published in the *Revue de la Faculté des Sciences Économiques de l'Université d'Istanbul* and republished in 2015 in the *Journal of Markets and Morality*. I quote from this later publication. Most of the article found its way in Röpke's 1944 *Civitas Humana* (Röpke 1948[1944], 73-79).

disciplines from value commitments in order to guarantee their scientificity, as in Kelsen's "pure theory law" or Robbins' idea of what constituted economic science. Röpke saw in this battle of extremes a manifestation of Bergson's "*loi de double frénésie*:"[58] "this discovery of "ideologies" leads us to the extreme conclusion that all ideas and value concepts are mere ideologies which, being highly subjective and deceptive fancies, must be ousted from science. Such a conclusion, which would let us in total skepticism and complete nihilism, seems wholly unwarranted" (Röpke 2015[1941]: 501). For Röpke, both camps subscribed to a version of relativism: one hoped to entirely politicize science, while the other equally tried to neutralize its political dimension entirely.

Therefore, Röpke's solution to the influence of the "social engineers" did not rest with a disengaged science, apprehensive to be labelled "ideological," but with a combative one, which engaged with value judgments, and used its authority to steer debates towards more desirable solutions. For Röpke, like all early neoliberals, "the diagnosis of the modern crisis and the therapy of a renewed liberalism rest upon a rigorously scientific basis" (Solchany 2015, 301). Similarly to the post-war Hayek, Röpke's program preached simultaneously for a return to stricter scientific standards, and for the use of scientific authority to support liberal ideas. Röpke looked, here as well, for a third way: one which embraced the autonomy of science and yet vindicated the necessity of value judgments. Röpke conceived that "true science […] must be autonomous in the sense that in the search for truth the conscience of the scholar is to be the ultimate authority, independent of the heteronomous authority" and that submitting oneself to authorities would disgrace science and constitute a "*trahison des clercs*" – another familiar neoliberal reference (Röpke 2015[1941]*:* 502). Academic autonomy, however, did not entail an absolute separation between the scientist and the

[58] Quoted in French. Reference is in Bergson, *Deux Sources de la Morale*, 1934, pp 319-20.

citizen: it was absurd to think that the work of science could be separated from its economic and social conditions. On this level, as well as with his diagnosis of a scientific relativism leading to nihilism, the wartime Röpke treaded closely to Polanyi's views on the organization of science:

> It is obvious that the autonomy of science can never mean that scientific work is a creation "ex nihilo" depending on no subjective conditions whatever. "*Voraussetzungslosigkeit*" ["presuppositionlessness"] in this strict sense is, of course, an illusion or even an absurdity which no fairly modern philosophy of science will defend any longer. Every scientist has his personal equation, his perspective determined by place and time, his inner experience, his peculiar milieu, his valuations some of which he is sharing with others while some are more or less his own. He is pursuing his researches as a child of his age and as a member of his community, and all we must ask for is that he is honestly conscious of all these pre-scientific determinants and weighing the degree of subjectivity which they give to his researches (Röpke 2015[1941]: 502).

The middle path of acknowledging one's own presuppositions without giving up scientific autonomy nor the claim to objectivity was typical of early neoliberal views concerning the scientific community. Their rescue of truth and of the scientific method was only feasible if the conventional nature of scientific frameworks, understood as a scientific tradition bound by rules and principles, was recognized. If the practice of science depended on traditions and the moral solidarity of a community of inquirers, then it could not be said to be value-neutral.[59] This entailed an acceptance that any scientific work was framed by historical and ideological determinants.

Hence, Röpke concluded, a principled science could pass value judgment insofar as it was mindful of its presuppositions:

[59] Röpke writes: "That men pursue science at all, that the science of economics has been developed as a special branch, that we select worthwhile subjects of research from the endless number of possible ones, that we economists decided to devote ourselves to this science, that we regard truth as an inviolable scientific principle—all this implies judgments of value" (Röpke 2015 [1941], 503).

> "Science—above all, moral sciences of which economics is a part—is indeed inseparably mixed up with value judgments, and our efforts to eliminate them will only end in absurdity. If we look properly it is not difficult in economics to discover a value judgment lurking behind theories and propositions which give the outward appearance of innocent neutrality" (Röpke 2015[1941]: 503).

As a result, scientific autonomy ought not to be sanctified but redefined. Science can pass judgements of value because, in Röpke's mind, objectivity can be measured according to the degree of consensus which some statements possess. Röpke, along with Hayek and Polanyi, embraced the idea that liberal science, since it was conventional and *ipso facto* ideological, needed to become a militant science, one ready to oppose either Marxist science or Mannheimian sociological relativism.[60] For them, science properly understood represented the best of liberalism: making one consonant with the other had been their wartime vocation.

As a way to ground his value judgements, Röpke called upon the authority of "anthropological facts" or "anthropological constants" "which science has to respect just as it has to respect the meaning of words in the English language" (*ibid.*: 509) and which the relativists took to be "scientifically unascertainable" (*ibid.*: 510). In the end, Röpke abandoned his deference to scientific autonomy to incite fellow scientists to think "*à la taille de l'homme*," that is to "follow that "reasonable middle course" which itself corresponds to human nature" (*ibid.*: 510). As a consequence, Röpke was thus guilty of the same wrongdoing he had denounced in the previous pages: that of subsuming the foundations for scientific inquiry under the desirability of one specific

[60] For Röpke, the immediate threat to this openly embraced liberal science was that "the self-castration of science as practised by axiological relativism will create a vacuum which will be filled by the demagogues and dilettanti and sooner or later engender the wild reaction of the "politicisation" of science" (Röpke 2015 [1941], 503).

form of social organization. He operated himself a politicization of science through the adoption of a conservative bias.[61]

The difference between a neoliberal understanding of science, and a more conservative one, is revealed in the definition that Röpke gives of "scientism:"

> "It is a type of thought which relentlessly ignores mankind a spiritual and moral entity and which knows almost nothing of all these eternally human and social values, problems and their mutual relationships which, being elusive because qualitative and subtle, can be familiar only to a humane, historical, literary and philosophical type of educated mind" (Röpke 1948[1944], 55).

Scientism, for Röpke, represented first and foremost a *moral* error, rather than a *methodological* one; one which ignored the "special nature of life and society" (*ibidem*.), not one which could be corrected by epistemological rules. In this sense, Röpke's diagnostic and outlook of the position of science in society lay closer to those of Eric Voegelin than to those of fellow early neoliberals. As I have argued in chapter 3, Röpke and Rüstow believed that the social sciences had to be put at the service of the attainment of their preferred order: one guided by the natural place of man within the world, one where anthropological constants could be fulfilled in a competitive society, and one where liberalism was inseparable from a moral teleology. This conclusion betrays the peculiar character of Röpke's position at that time. In his output, the contradiction is manifest between a neoliberal vision of the work and function of science, and the uses and prospects of such a science for championing a conservative model of society.

[61] This becomes striking when, with the purpose of re-establishing anthropological facts against the vagaries of opinion, Röpke wrote that: "Common opinion in a society may, for instance, be completely wrong in what ought to be the right place of women because it is blind to some anthropological—or, specifically, to some gynaecological—facts and to the subtle sociological functions of women which follow from their unalterable natural functions. We must squarely face such a divergence in order to see quite clearly that it can be scientifically settled by a last appeal to anthropological facts. Hence the "validity" of value judgments must not ultimately be based on current acceptance alone" (Röpke 2015 [1941]: 511).

Occident

From Geneva, Röpke, like Hayek, was conscious that the post-war situation was key for neoliberals to make their stand known to the public, and display an organized front in the face of the collectivist movements which flourished at this time.[62] Writing to Hayek in the early days of 1945, while his wife was translating *The Road to Serfdom* into German, Röpke replied to Hayek's Memorandum for his International Academy by highlighting that: "your ideas runs somewhat parallel to a project which I am pursuing, i.e. that of an international monthly defending the case of humanism and liberalism."[63] When Röpke finally put forward his own memorandum describing *Occident* to Hayek in the summer of 1945, he had already compiled a prestigious list of supporters, in particular Luigi Einaudi and Benedetto Croce,[64] and he was hoping to add Hayek to the list of front-page collaborators. Hayek promptly agreed to call on his own contacts in England and America in support of Röpke's initiative.

In the memo circulated to the selected group of liberals intended to take part to the creation of *Occident*, Röpke's subjects of choice largely echoed his own wartime writings, in particular *The Social Crisis of our Time*. The trope of cultural pessimism was the strongest within the German wing of early neoliberalism, and attracted those who equated a true liberal society with the teleology of the West. Beyond economic models, Röpke warned, collectivism had contaminated the minds of the people, diverting them from established traditions and principles:

> "the danger of Collectivism is all the greater since the task of giving new forms to our political, economic and social life can in fact no longer be postponed and demands bold solutions. It will be difficult if not impossible to put a stop to the triumphant progress of

[62] Röpke admitted candidly to Hayek that: "A vigorous frontal attack as ours is apt to provoke the fiercest antagonism. The fight against the Amalekites calls for strong nerves and a thick epidermis – things I haven't got." Letter Wilhelm Röpke to Friedrich Hayek, 22 June 1945, Hayek Papers, box 79, folder 1.

[63] Letter Wilhelm Röpke to Friedrich Hayek, 2 January 1945, Hayek Papers, box 79, folder 1.

[64] Letter Wilhelm Röpke to Friedrich Hayek, August 1945, Hayek Papers, box 79, folder 1.

> Collectivism and Totalitarianism unless all our mental and physical energies are concentrated not only on showing up the real nature of Collectivism and its mortal threat to our cultural inheritance but also on proving that there are better ways of accomplishing the economic and political reforms which are admitted to be necessary."[65]

To achieve this ambitious intellectual reconstruction, Röpke threw himself in an intense epistolary exchange with former and newer liberal voices, in an attempt to cover economics, history, and culture. In his adopted homeland of Switzerland, Hans Barth and William Rappard were easy recruits. While Röpke wished to have Rüstow come from Istanbul to be a close collaborator, he also reached his American acquaintances: Karl Brandt and Harry Gideonse, as well as Henry Simons, and Henry Merrit Wriston, then president of Brown University. Friedrich A. Lutz, a colleague from Freiburg, now professor at Princeton University, recommended Milton Friedman and Aaron Director for the United States (Solchany 2015, 245). This testifies to the extent to which intellectuals from the New Continent, beyond the émigré population, had become an indispensable relay in the efforts towards a European reconstruction.

If Röpke's teleology of liberalism differed from Hayek's, he envisaged the creation of such a "forum for discussion" in much the same way. As with Hayek's Memorandum, the question of whether to make neoliberalism a factional project, or an ecumenical one, was central. It was to be founded on the "identical nature of the ultimate aims of all participants" as a countervailing force to the diffusion of collectivism. The periodical would address people of the same ideological persuasion, thereby constituting a "broad front of all persons of goodwill," as well as editors and readers who needed "no further explanation of the meaning of Western humanism and forces of freedom."[66] The periodical would mainly appeal to the "upper intellectual class," revealing Röpke's belief that

[65] Wilhelm Röpke, "Plan for an International Periodical," Hayek Papers, box 79, folder 1, p. 1-2.
[66] Wilhelm Röpke, "Plan for an International Periodical," Hayek Papers, box 79, folder 1, p. 3-4.

the standing of such a trilingual publication would be enough to command attention. The journal, Röpke claimed, "is not intended […] to exercise direct influence on the masses, but on the other hand it will acquire prestige, which would make it a generally recognized authority, that being legitimate, cannot be ignored."[67] I have shown previously that this "trickle-down" sociology of knowledge was widely disseminated: intellectual classes were to vulgarize and spread to the public the neoliberal ideas elaborated within confined organizations and publications, swayed by the prestige and authority of its core members.

Röpke shared the same diagnostic as other neoliberals: the root of totalitarianism had not solely been an economic crisis, but also a spiritual one. Yet, compared with the other neoliberals, his way towards renewal was not to rely on a reform of science, but to get away from the old liberalism entirely towards a "Third Way," wherein the "natural" place of individuals in their community could be restored. The influence of science on society needed to be reined in more than revised and redirected. This entailed, ultimately, a naturalist epistemology, one which diverged from a conventionalist outlook, finding itself much closer to arguments found in conservatism.

Whereas Hayek, Polanyi, and Popper sought to reconsider traditions from a liberal and scientific point of view, Röpke worried that the abandonment of the core Western traditions would trigger the collapse of its accrued inheritance at the hands of collectivism.[68] The kind of "Western humanism" Röpke claimed to defend resembled the works of José Ortega y Gasset and Salvador de Madariaga, who both accepted to contribute to *Occident*, or closer, with his collaborators Croce and Rüstow. Compared with other early neoliberals, the presentation of the Western world as an "intellectual unit" wherein each of the countries made "contributions" to a "common heritage" gave

[67] Wilhelm Röpke, "Plan for an International Periodical," Hayek Papers, box 79, folder 1, p. 4.
[68] Wilhelm Röpke, "Plan for an International Periodical," Hayek Papers, box 79, folder 1, p. 2.

this Western ensemble a substantial and static character, at a moment when other early neoliberals embraced an adaptive and dynamic version of liberalism.

Röpke's periodical project would eventually fail due to a dispute with the man who had gathered the funds for *Occident*: Albert Hunold. The two men could not agree on who would sit on the editorial board of journal, where to publish it, and whether the funds provided by Hunold and his friends among Swiss bankers would be provided without proviso (Steiner 2007: 117-119). Furthermore, Röpke did not have much material at hands as the journal was only supposed to begin publication in 1946. Hence, once Hunold heard about Hayek's project of an international conference, he artfully redirected the funds provisioned for *Occident* towards Hayek's grand plan, leaving Röpke fulminating against his own shortcomings as an intellectual entrepreneur.

Polanyi's project: "Our Times"

In addition to Hayek's and Röpke's projects, and parallel to his own activities in the Moot, Michael Polanyi also drafted a plan to publish a periodical which would publicise the early neoliberal agenda to British intellectual circles. Already in 1939, Polanyi had suggested that a new periodical be published as a direct result of the Walter-Lippmann Colloquium. In a letter to Polanyi, Hayek had answered enthusiastically to Polanyi's suggestion, writing that: "The main purpose of the journal would be to discuss what Lippmann has called the Agenda of Liberalism, including of course the question of a future world order. But it would of course discuss all "cultural" problems from a Liberal angle." He submitted "Common Affairs" as the title of the journal and advocated its publication in French and English to emphasize the "cultural collaboration between the two

countries."[69] Despite Hayek's enthusiasm, the journal never saw the light of day due to a lack of financial supporters (Mirowski 1998: 41n13).

Polanyi's tentative postwar periodical, originally named "Our Times"[70] was to be published by the Manchester Literary and Philosophical Society under the guidance of Polanyi and John Jewkes, both of them being neoliberal relays in Manchester. Much like the other neoliberal projects, Polanyi ambitioned to gather "a group of like-minded writers who desire to explore the path of a good society and promote progress towards it."[71] Polanyi circulated his Memorandum to friends and acquaintances who, he thought, would be interested in collaborating with him, although it remains unclear how many people received the proposal. Polanyi's exiled economist friends Gustav and Toni Stolper were asked for criticism and comments, as well as for some potential financial support for the venture in the United States.[72] Interestingly, Polanyi circulated his proposal to Karl Mannheim hoping that he would recommend it to Routledge for publication.[73] It was precisely around 1944 and 1945 that Polanyi and Mannheim had built a solid relationship based on their participation to the Moot, only interrupted by Mannheim's sudden death in 1945. Finally, various persons associated with the University of Manchester were initially recruited as potential collaborators: this included Jewkes, Dorothy Emmet, and T. W. Manson, as well as Walter James, an affiliate of the *Manchester Guardian*.

[69] Letter Friedrich Hayek to Michael Polanyi, 28 January 1939, Polanyi Papers, box 3, folder 14.

[70] "Our Times," Polanyi Papers, box 4, folder 12, dated March 1945. This same document also appear with the title "Civitas" dated 1946.

[71] "Our Times," Polanyi Papers, box 4, folder 12, p. 1.

[72] Letter Michael Polanyi to Toni and Gustav Stolper, 29 March 1945, Polanyi Papers, box 4, folder 12.

[73] In September 1945, Polanyi updated Karl Mannheim on "the project for a new quarterly journal […] and the circular which I sent you in this connection." Due to the rules of the Manchester Literary and Philosophical Society, no statement of a political kind could be made. The revised project which Polanyi discussed in his letter would place the journal "on more neutral ground. […] Broadly speaking, it would comprise politics, economics, and philosophy on a level intermediate between a purely academic archive and a magasine of the type of "The Political Quarterly."" (Letter Michael Polanyi to Karl Mannheim, 14 September 1945, Polanyi Papers, box 4, folder 13).

In many ways, Polanyi's Memorandum presented a more optimistic assessment of liberalism than Röpke's, and built on his view of liberalism as an institutional framework governed by "principles," upon which individual and public liberties are founded. In his proposal, Polanyi's historical diagnostic shared salient features with other neoliberal pronouncements at the time: a condemnation of classical liberalism; a fiduciary commitment to a definite set of principles; the adoption of science and the scientific method as guiding lights for policy recommendations. Since the beginning, early neoliberals had tried to distance themselves from the older understanding of liberalism, and to provide the neoliberal faith with a positive manifesto. Polanyi's project was no exception; he announced that: "The liberalism which took its foundations for granted has collapsed over wide ranges of Europe and it has been rendered generally untenable everywhere. We must replace it by a liberalism based on explicit profession."[74] Indeed, Polanyi understood the adhesion to liberalism's principles in the same manner as one would adhere to a religious faith: it was founded on an irreducible belief in the validity of its principles (see *infra*). As with science, Polanyi explicitly bridged the neoliberal conventional epistemology with how it could appeal to the public: since principles like truth could not be ultimately demonstrated through reduction nor reason, their validity could not likewise be subjected to constant criticism. Liberalism, like science, called for a personal commitment to its ideal, something which required education and publicity.

In the memorandum, Polanyi summed up the decline of liberalism in the same vein as Lippmann or Rougier: it had been a liberating idea which had taken a sour turn once it radicalized itself based on the belief in the naturality or rationality of its principles. He wrote that:

> "For the last hundred years liberal economic policy has been conducted without effective guidance from liberal theory. It was in fact made up of a series of disjointed concessions from a theory of *laissez faire* to the claims of humanitarianism amid the

[74] "Our Times", Polanyi Papers, box 4, folder 12, p. 2.

> obvious demands of the public interest. This unsatisfactory intellectual situation has caused comparatively little trouble so long as the major premises of liberalism wore uncontested. To-day it must be remedied without delay, if liberalism is to be restored again."[75]

For Polanyi, liberalism had pushed its radical logic so far as to endanger the fabric of the very society which it aimed to transform. In particular, rationalism had undermined the moral independence of the individual: "The continued application of Cartesian doubt to which modern thought owed its liberation from dogma could not fail to reduce our conception of reality to a radical naturalism which affords no independent standing to any of the of the rational, moral or religious principles by which liberty is sustained."[76] Typical in Polanyi is the reaffirmation of tradition as an evolving framework whose principles can be dynamically amended. Since they remained ungrounded in nature and reason, these traditions required "a positive faith" to exist, that is, a moral commitment to the shared reciprocal trust which enabled communities to exist : "We must admit and in fact emphatically assert that these principles are by no means self-evident but that adherence to them is based on personal conviction."[77] Like Hayek, this share of personal calling in our commitment towards liberalism represented, for Polanyi, the true challenge which neoliberalism faced: how to reach the lay masses through an honest attempt at exposing the virtues of liberalism, and the germaneness of its tradition.

Furthermore, Polanyi ambitioned to restore "the liberal way of conducting" each branch of human activity, ranging from art to science to law, or any institution which called for individual collaboration. "From this systematic exploration of the diverse sections of life," wrote Polanyi, "there will emerge a system of *liberal archetypes*; and the internal cohesion of such a system should

[75] "Our Times," Polanyi Papers, box 4, folder 12, p. 6.
[76] "Our Times," Polanyi Papers, box 4, folder 12, p. 2.
[77] "Our Times," Polanyi Papers, box 4, folder 12, p. 2.

supply a solid contribution to the consolidation of liberalism."[78] In this vein, the *method* of liberalism is one that steers a decentralized and autonomous division of power through the various dynamic orders which constitute society, each guided by a set of conventional principles established through a tradition of inquiry. Authority is divided among the various leaders in these orders, each founded on a traditional hierarchy of authority based, as is the case in science, on trust, prestige and recognition. Polanyi's vision of "independent individuals or centres" may appear as "a society adrift; a chaotic society, at the mercy of mere chance" leaving the interpretation of principles "indeterminate" or "controlled by vested interests."[79] However, Polanyi had shown during the war that contrary to this apparent disunion, liberalism produced an epistemologically superior method of coordination, one in which the indeterminate nature of truth, and the necessity of moral values, were reconciled. He did not seek to return to an older dogmatic liberalism, but a liberalism which "must again become a great engine of reform."[80]

Polanyi's fiduciary liberalism

Contemporary to *Science, Freedom, and Society* (Polanyi 1964[1946]), Polanyi's proposal offered the same solution to the problem of authority: the reinstatement of the guidance of tradition. As I have shown in the previous chapter, Polanyi thought that modern traditions were liberal in their character, as they embraced the dynamic interplay of principled authority and individual innovation. Polanyi envisaged traditions as countervailing forces to what he named "European nihilism" and to the erosion of liberal principles through continued scepticism: "In Germany, in Russia and in other countries where no firm traditions of civic principles had established

[78] "Our Times", Polanyi Papers, box 4, folder 12, p. 3; my emphasis.
[79] "Our Times", Polanyi Papers, box 4, folder 12, p. 3.
[80] "Our Times", Polanyi Papers, box 4, folder 12, p. 7.

themselves the march of modern scepticism has – in this view – destroyed the beliefs on which liberty rests."[81] In his embrace of traditions, Polanyi's liberalism had affinities with conservatism, notably Michael Oakeshott's vision developed at the same time (Jacobs 2012; Mitchell 2002).[82] For them, liberalism was not a radical ideology like libertarianism could be, it aimed at installing a system of orders which could dynamically integrate innovation within a delimited space. In this model, tradition supported liberalism, whilst acting as a prophylactic against a positivist, rationalist, and scientistic outlook.

The conventional compromise which early neoliberals promoted relied on truth as a kind of "regulatory ideal," one which demanded a moral commitment akin to faith: never to be ultimately revealed or known, but most noble and important as a quest. Although Polanyi did not quite articulate the issue in these terms, truth differed in its context of discovery and in its context of justification. For him, the discovery of truth had a "revelatory" quality which produced effects akin to a "conversion" to a new faith.[83] But this revelation could be authoritative only in a situation in which scientific standards based are upheld. Truth remained ultimately intersubjective and could be compromised if the scientific tradition became lost: truth played as important a moral role as a heuristic one.

[81] "Our Times", Polanyi Papers, box 4, folder 12, p. 4.

[82] Especially after Oakeshott's classic essay "Rationalism in Politics," originally published in 1947, in which Polanyi is quoted favorably (Oakeshott 1991[1947], 13n4).

[83] Polanyi explains in his Memorandum: "Take the conception of truth and of scientific truth in particular. If we believe that the world is constituted in an intelligible fashion find that the experience of our senses makes it possible for us to perceive the laws governing it, then we may respect the pursuit of truth and entrust ourselves to is guidance. But if our search for truth can achieve (as phenomenologists would have it) no more than the arrangement of past sense impressions into patterns, then there is nothing to respect or to rely on in such matter. If again scientific truth is held to be demonstrable so that it can compel conviction however we may dislike the result, then we may feel inclined to insist that science be free to conduct its enquiries and to demonstrate the results. If on the other hand the hallmark of truth is its mere usefulness (as pragmatists think) then it is reasonable to limit research in science to the range of usefulness; and in each instance to determine usefulness in accordance with the interests to be served." "Our Times," Polanyi Papers, box 4, folder 12, p. 5.

This program for a fiduciary social epistemology had been in gestation for over a decade in Polanyi's writings, and remained closely attached to his liberalism. In "What to believe," a talk given at the invitation of the Manchester Grammar School in May 1947 (Scott & Moleski 2005, 203), Polanyi explained that what we felt from our senses depended greatly on what we had learnt from our community. These epistemic presuppositions and traditional dispositions implied that a portion of our knowledge remained irremediably social. In an evocative passage, Polanyi admitted that:

> "To understand – to believe – and to belong – these three seem indissolubly connected. They are, in fact, three aspects of the same state of mind – the process of knowing: its theoretical, its confessional, and its social aspect. A realisation of the conjunction of these three aspects is the only criterion for the acceptance or rejection of any particular form of knowledge. In science, the theoretical aspect looms large, while the process of believing and the condition of belonging are taken for granted; in other forms of knowledge the balance is different" (Polanyi 1947: 9).

Polanyi asserted that the form which society adopts was organically tied to the shape of its knowledge. However, knowledge cannot be reduced to these dimensions, lest it fall irremediably into relativism and nihilism, which would undermine its foundations. As a result, the theoretical dimensions of knowledge were not self-standing: they always relied on a traditional context which conferred legitimacy and authority. Hence, Polanyi concluded that:

> "the knowledge of man relies decisively on his will to form a good society. The attempt of the modern mind to judge all knowledge exclusively by theoretical criteria has first shaken religion and then gone on to threaten the moral basis of society. Against this threat of nihilism we must appeal to a more comprehensive conception of knowledge. Power to explain is only one test and it is insufficient alone to validate any knowledge" (Polanyi 1947: 10).

Here, Polanyi beckoned at the constitution of a liberal sociology of knowledge, although not one to be used in a propagandistic and strategic way as Hayek had imagined. Instead, it would be one in

which the epistemological and socio-political dimensions of knowledge and truth were brought together under an overarching paradigm. Only in a "good society" could science and theoretical knowledge flourish and receive their due credit. In many ways, Polanyi's design for a post-critical liberal science, an unfinished project by many accounts, remained too candid and generous to stir the ideological recovery of liberalism and free markets. Nonetheless, I find that it marked a high theoretical tide in the theory of early neoliberalism. By 1947, Polanyi had developed a comprehensive outlook linking epistemological principles, scientific practice, and liberal theory in a profoundly original way.

Like Röpke's *Occident, Our Times* never came to fruition. Another periodical edited by a group of intellectuals in Manchester named *Humanitas*[84] emerged from this initial project, for which Polanyi assumed some form of editorial function.[85] After 1949, Polanyi's interests shifted considerably, once he was invited to give the Gifford lectures: he abandoned his efforts in drawing out a liberal theory which would encompass all spheres of society, either considering his part accomplished, or stepping back in front of the immensity of the task because his writings had not been received with the enthusiasm he had hoped.

[84] Eva Gàbor (2003, 458-459) believes that the short-lived journal *Humanitas*—which involved some of the same people, began in 1946, and ceased publication after three or four issues—is what eventually came out of Polanyi's proposal. Polanyi did publish in *Humanitas* and he seems to have had some kind of editorial responsibility. An unpublished note titled "Humanitas" dated 17 June 1947 (in Polanyi Papers, box 31, folder 3) appears to be the draft of an editorial or policy statement for *Humanitas* which is identified as a journal "in search of a home for the things of the mind." Later there is a claim that "we have lost the capacity to hold the necessary fundamental beliefs" and this is because "we are affected by a philosophic doubt which turns to dust everything we touch." As our discussion makes clear, these ideas are very much akin to those found in Polanyi's 1945 journal proposal.

[85] In an article published for *Humanitas*: "Science – Observation and Belief," Polanyi argued that science "goes beyond mere observation and depends on interpretations for which the scientist is held accountable; apart from such freely adopted scientific convictions it is impossible to justify the premises used or to give formal proof of the claimed scientific result. To rely on pure empiricism would open the way to a Marxist interpretation because the uncertainties of empirical claims can be used to justify selectively those results consonant with the Marxist ideology. His fundamental philosophical point was that we must openly admit the role of belief and conscience in science rather than trying to hide the fiduciary dimension under the cover of formalisms" (Scott and Moleski 2005, 202).

In his introduction to the *Logic of Liberty* published in 1951, Polanyi reasserted the view that: "Modern liberty, which has to stand up to a total critique of its fiduciary foundations, will have to be conceived in more positive terms. Its claims must be closely circumscribed and at the same time sharpened for a defense against new opponents, incomparably more formidable that those against which liberty achieved its first victories in the gentler centuries of modern Europe" (Polanyi 1951, vii). He acknowledged that whereas "society is of course also an economic organization," this "seems not to be the real purpose of society but rather a secondary task given to it as an opportunity to fulfill its true aims in the spiritual field" (Polanyi 1964[1946], 83). Polanyi's liberalism after the 1950 became very close to the philosophical views he would later develop in his Gifford lectures given in 1951-1952, and published in 1958 as *Personal Knowledge*. In later works, Polanyi admitted that he was elaborating a "fiduciary program" (Polanyi 1958, ix) which demarcated his "post-critical" project from the critical philosophy and the relativist sciences which he aimed to overcome. As I will show, this caused some measure of tensions with the evolution of post-war neoliberalism.

Now that the birthplace of neoliberalism as it is commonly known is in sight, it is important to step back and reflect as to how the perspective adopted here shapes my interpretation of the original MPS meeting. In the first place, the contextual analysis I have provided disqualifies retrospective readings of the foundation of the MPS as a unique stepping stone for the diffusion of neoliberalism. On the contrary, its formation owes to multiple contingent factors – both material and intellectual – and underlines its continuity with the debates of wartime neoliberalism. If the idea of such a forum germinated in the heads of Hayek, Polanyi, or Röpke, it is because the institutions which had loosely supported the early neoliberal network of scholars (the League of Nations, the Rockefeller Foundation, and the IUHEI) had by this time either disappeared, or largely withdrawn their

support for activities in which neoliberals could develop their new science of economics and social order.[86] From the post-war on, early neoliberals had to rely on their own entrepreneurial skills to organize meetings and use their influence.

In the second place, the intention behind these multiple projects aiming at the development of neoliberal thought originated was as much scientific as it was ideological. In the formation of the MPS, as in any other neoliberal initiative of that time, the main objective was to promote a view of science and the scientific method in harmony with the principles of a renovated liberalism: one could not go without the other. Hence, I take Hayek's intention to found an "Academy" devoted first and foremost to "Political Philosophy" seriously. Even though the political affiliation of its participants constituted a matter of debate among some members – notably between Hayek and Popper – focusing on this dimension overshadows the common scientific language which pervaded most of the early neoliberal efforts and discussions.

PART 4. REACHING MONT-PÈLERIN

Although Hayek complained, in his opening address to the MPS, of the "isolation" (Hayek 1992[1947], 238) suffered by liberals, early neoliberals had, by then, established important network, which burgeoned in the early 1930s, and ramified in the late 1930s, thanks to academic

[86] The Rockefeller Foundation reoriented his priorities away from the funding of large social sciences project as a direct consequence of its internal reorganization and change of personnel. This did not mean that all support was withdrawn from neoliberal centers of activities (notably Geneva), but that the funding of economic institutes devoted to conjectures and business cycles stopped (cf. Craver 1986: 221). The disappearance of the League of Nations, of its ICIC, and of the IIIC in Paris, meant that regular conferences allowing neoliberals to refine their views had to be replaced by voluntary efforts.

hotspots located in Geneva, London, and Chicago.[87] The language with which Hayek framed the birth of the MPS was one of resumption and continuity with the *statu quo ante*, not a discourse of *tabula rasa* from the efforts of the late 1930s.[88] To be sure, the war had dislocated the close ties woven during the previous decade: Austrian and German exiles like Hayek, Mises, Röpke, Machlup, Polanyi, etc., had emigrated to England, Turkey, Switzerland or the United States. Despite their melancholia, they had continued to hold active intellectual lives. The most visible absentees from the 1947 meeting were the two intellectual forces behind the organization of the WLC. Louis Rougier had been left aside at the demand of Robbins because of his alleged sympathies with the Vichy regime (even though he had been exiled in New York for most of those years). In 1946, Rougier published a controversial account of an aborted mission to reach a secret pact between Churchill and Pétain during the war (Rougier 1946). Walter Lippmann, on the other hand, had moved further and further away from the neoliberal core during the war. He had refused to preface the American edition of the *Road to Serfdom* and was now supporting openly interventionist policies (cf. Goodwin 2014). Another remarkable absence was that of the first president of the CIERL, Louis Marlio, who seemed to have lost all contact and influence among early neoliberals (Audier 2012a, 343).[89]

[87] Burgin writes that: "By creating, a single transatlantic forum, Hayek hoped to foster a sense of association among individuals who perceived themselves, within their national boundaries, to be very much alone" (Burgin 2012, 94). It is unconvincing to insist on the isolation of early neoliberals as a motivation for the meeting at Mont-Pèlerin. Most of them remained connected to each other and to the larger academic world throughout the war, although in different places.

[88] Addressing the German situation, Hayek declared that "the war and its effects have created new obstacles to the resumption of international contacts which to those in the less fortunate countries are still practically unsurmountable without outside help, and are serious enough for the rest of us. There seemed clearly to exist a case for some sort of organisation which would help reopen communications between people with a common outlook" (Hayek 1992, 239).

[89] On the other hand, Étienne Mantoux, son of IUHEI co-director Paul Mantoux, was thought of as a future secretary for the Society, hadn't it been for his death on the battlefields in the dying days of the war.

It is undeniable that the sociological and intellectual composition of the WLC and the MPS was sensibly different: the latter displayed no opening towards union leaders or socialist-leaning intellectuals as did the CIERL. This time around, the businessmen supporting its endeavours were free-market sponsors rather than reformist-minded businessmen as Auguste Detoeuf or Louis Marlio had been. Finally, Americans would be much more numerous at the MPS than they ever were before the war, sending a strong contingent from the University of Chicago, which would have been larger had it not been for the premature death of Henry Simons (Audier 2012a, 345). The network was different in another important respect however: its financial support did not emanate from large international bodies like the Rockefeller Foundation or the League of Nations, but from smaller private funders, in this case Swiss bankers as well as minor American philanthropic organizations: the Volker Fund and the Foundation for Economic Education. This difference would be critical to the shape the MPS would take in its early years: while not directly accountable to its financial backers, it was nonetheless committed to a defence of the interests of capitalist entrepreneurs who sent their moneys and support. In addition to influencing the list of guests whose travel cost would be covered, these backers exercised an indirect influence through the presence of their representatives, lending to the MPS sectional interests which earlier neoliberalism did not possess. It is difficult to precisely evaluate the reach of these economic interests within the development of the MPS. However, they should not go unacknowledged neither: no private academy would side against the cherished interests of its financial sponsors without consequence. Furthermore, there was a substantial ideological and programmatic alignment between the participants and those who had helped to fund the meeting. When this alignment was perturbed, the financial support disappeared.[90] The structure of the MPS,

[90] The Volker fund stopped financing the traveling cost of American participants for its tenth anniversary, the moment they felt that the MPS had stopped serving their best interests as they developed a conference program on their own (Burgin 2012, 127).

nonetheless, with the funds for each general meeting garnered by an *ad hoc* organizing committee, allowed for much flexibility. The MPS was careful never to rely on one source of funding alone, nor on the whims of one or a couple of passionate but volatile sponsors.

Only now may I provide an assessment of the extent to which the MPS ended up following in the footsteps of the WLC. Despite the fact that half of the participants of the WLC would become, at one point or another, members of the MPS, there existed significant differences in the context of the two meetings, the guest list, and the topics under consideration. While some commentators are keen to highlight these dissimilarities (Audier 2012a, 342-3), I find that the two meetings are worth considering together in one timeline, as they represent two important nodes of the early neoliberal attempt to rebuild a liberal science. The formation of the MPS, I argue, should not be tackled as a prolegomena to a neoliberal future, but as the resumption of the neoliberal scientific program which had consolidated itself until the outbreak of the war, and had been pursued through individual efforts and publications during the war (see chapter 4).

Far from constituting an intellectual rupture, the war years exacerbated the early neoliberal indignation at the increasingly interventionist state. What had been denounced in the 1930s as a tendency towards central planning had, in fact, partially realized itself, as the war economy progressively installed itself. Worse still, the scientific philosophy which supported this trend appeared to have been vindicated by the success of the war economy, and had manifestly won the post-war battle, thanks to foundational documents such as the "Beveridge Plan" in the United Kingdom, Roosevelt's "Second Bill of Rights" in the United States, or the French program from the *Conseil national de la résistance* for a country-wide social security, all proposed between 1942 and 1944. Apart from West Germany and Belgium, progressive and socialist parties dominated the political spectrum in Europe. Finally, 1946 was a dramatic year in the United States, with the

advent of the Cold War and the largest strike wave in American history involving more than three million workers from November 1945 to June 1946 (Phillips-Fein 2009, 28-29).

Hayek's *Road to Serfdom* tour had fortuitously put him in contact with Albert Hunold, who had collected some funds for Röpke's *Occident* journal. After Hayek's invitation to speak in Zurich in November 1945, where he reiterated his idea of a liberal reunion, Hunold approached him to discuss the matter. After a lengthy correspondence, both Hayek and Hunold were able to secure the travelling costs for American participants, and that of the accommodation and travels for European participants. Without the crucial assistance of Wilhelm Röpke and William Rappard in mobilizing their neoliberal networks and drumming up support however, nothing would have been done (Solchany 2015, 247). Whereas Röpke advised Hayek as to the choice of participants and the design of the program, Rappard was instrumental in arranging the venue for the meeting, and in lending his intellectual caution to the project. The Volker Fund, whom Hayek had asked to contribute to the travel costs of the American invitees, vetoed some persons on the grounds that their liberal credentials were not sufficiently clear, especially in their defence of free markets. From its onset, and despite claims to the contrary, financial backers of the MPS had a say regarding the guest list as well as a seat around the table;[91] both Leonard Read and H. C. Cornuelle from the Foundation for Economic Education attended the 1947 meeting (Burgin 2012, 101). In the end, the meeting gathered 39 participants from 17 countries. Among them, only one woman was present: the English historian C. V. Wedgwood.

[91] These financial circumstances played a key role, despite claims to the contrary repeatedly made during the conference that the meeting had been organized without conditions from its financial backers. On the contrary, the list of guests from the USA, the participation of financial backers to the proceedings, and even the choice of venue for the meeting all depended, one way or another, on the identity of the funders and their agenda. The same is true for Röpke and Polanyi failed publications projects, see *supra*.

Rappard's opening statement

Whereas the most quoted text from the MPS meeting is the "Opening Address" given by Hayek on the first morning (see *infra*), the opening statement given by William Rappard, in quality of local host, is equally important in clarifying the participants' own idea of the aims of the conference. As I have shown in chapter 3, Rappard had been a central figure in the construction of the IUHEI in Geneva as a stronghold for the development of early neoliberal thought in the late 1930s, helping to give it a scientific legitimacy that few other quarters granted. Under his management, Geneva had constituted, with London and Chicago, one of the major crossroads for neoliberal vagabond scholars. A lot of them had either taught there, undertaken research projects, or given guest lectures, thereby acquainting or re-acquainting themselves with fellow neoliberals in the process. The IUHEI, where some of the scientific work of the League of Nations was being carried out, represented a unique institution, able to radiate scientific credibility while running ambitious comparative projects thanks to the continued funding of the Rockefeller Foundation. Due to the school's international stature—Rappard was the founder and president of the Mandates Section—he was instrumental in giving institutional credibility and prestige to the MPS, and welcomed the organization of the conference to take place on Swiss soil. Unfortunately, very little research has been undertaken so far to delineate the contours of Rappard's key position in the development of the neoliberal network.[92]

Among all the participants, Rappard was one of the most anxious to preserve the academic tone of the meeting. On the one hand, he perceived the ambition of the early neoliberal project as being one of a scientific rectification of false ideas. On the other hand, he believed that the recovery of

[92] For instance, it is mostly thanks to Rappard that the isolation felt by some neoliberals during the war could be alleviated. For instance, he had been able to forward Hayek's correspondence with his family left behind in Austria by transcribing and signing the letters under his name, and sending them from Switzerland, a neutral country (Monnier 1995, 680).

truth in science was indispensable to the renewal of liberalism. In fact, it had been the project of the IUHEI from the 1920s onwards to promote a new form of economic and political science, one which could contribute to the preservation of a stable world order underpinned by a free international economy. Its goal had been to embed liberalism within scientific research programs, by advancing the young disciplines of international political economy and international relations.

Opening the conference, Rappard made it clear that this ambition, far from being defunct, constituted the core of the neoliberal efforts. Whereas Röpke was leaning towards a reaffirmation of value judgments in science, Rappard was keen to separate science and policies, thus aligning himself with the initial Hayekian project of keeping the MPS as an academic forum. Therefore, the most salient aspect of Rappard's address was the reaffirmation of the embeddedness of liberalism within science:

> "Science cannot be liberal or illiberal. In a sense it cannot be anything but liberal. An economist as a scholar may be learned or ignorant, intelligent or dull, profound or superficial, but he cannot be liberal of illiberal. Rather, if he is illiberal as a man of science, that is if he dogmatically and intolerantly denies the rights of liberty of thought without which there can be no true science, then he is not worthy of being called a man of science."[93]

The claim that true science is by necessity liberal had underpinned most of early neoliberal writings about liberalism and science up to that point. Since the scientific process was inherently liberal, liberalism as a policy could claim the higher scientific ground and thus legitimacy.[94] The justification of the MPS, however, is found in the following paradox: the results of science, economic science in particular, do not automatically bring about concrete change. To be transformed into policy orientation, they need vulgarization and interpretation; that is, they need

[93] William E. Rappard, Opening Statement, Tuesday 1st, 9.30, in Hayek Papers, box 80, folder 30.
[94] Rougier had employed the same reasoning in *Les Mystiques économiques* (Rougier 1938a).

the active intervention of scholars who will provide a roadmap to the output of such a liberal science for policy and opinion-makers. Similarly to Polanyi's SFS, Rappard thought liberal scientists needed to come down from their ivory tower, and engage with the political implications of their results:

> "Policies can however be liberal or illiberal. Most policies all over the world today are in fact illiberal and it is because we believe that they should be liberal that we are assembled here today. It is as economists in the second sense of that equivocal word that we are liberal. Or rather we are liberals by conviction, by faith, while most of us are by profession scientific economists. The distinction is absolutely fundamental. It alone explains why our friend Hayek, in setting up his list of guests, has not included therein many economists who are not liberals, but has to our great joy admitted certain liberals who are not economists."[95]

At the policy level, this liberal economic science remained mostly inaudible in 1947. What Lippmann had described in 1938 as the agenda of liberalism, something Rappard himself was in sympathy with,[96] did not realize itself, nor did it provide a convincing enough roadmap for policies. Equally, this was the sense of Hayek's opening speech, marking the turn from the discovery of a scientific liberalism towards the design and promotion of liberal policies.

Hayek's opening statement

Hayek's opening address aimed at bringing together the various expectations of the participants under the same heading. The task which Hayek proposed to his audience involved "both purging traditional 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

[95] William E. Rappard, Opening Statement, Tuesday 1st, 9.30, in Hayek Papers, box 80, folder 30.

[96] This is stated by Rappard during a series of conferences he gave in Chicago in 1938 and published under the title *The Crisis of Democracy* (Rappard 1938, 261-263).

shirked or which have become apparent only since it has turned into a somewhat stationary and rigid creed" (Hayek 1992, 238).[97] This endeavor demanded an adversarial attitude, transposing the militancy of wartime neoliberalism to its peacetime context: "The old liberal who adheres to a traditional creed *merely* out of tradition," Hayek proclaimed, "however admirable his views, is not of much use for our purpose. What we need are people who have faced the arguments from the other side, who have struggled with them and fought themselves through to a position from which they can both critically meet the objection against it and justify their views" (*ibid.*, 240). This harsh condemnation of the "old" liberals clearly meant a rupture with the golden age of the 19th century.[98] All participants were credited, on the contrary, with contributing to the efforts of "trying to reconstruct a liberal philosophy" which could withstand the objections commonly hurled at liberalism. In this way, Hayek imagined the meeting very much in the same line as the WLC, where the express goal of the conference had been to accept liberalism's shortcomings and come up with a renewed "agenda for liberalism," comprising a historiographical revision of its foundations.

Hayek and Röpke envisioned the creation of the MPS as, first and foremost, a scientific outlet for their wartime labour. Such a project was not to be regarded as an open academic forum where ideas critical of liberalism would be evaluated and discussed, but as a closed academy in the model of Anglo-Saxon clubs and societies with a select co-opted membership and some measure of

[97] Here it is interesting to note the parallel of language about the "rigidity" and "dogma" into which liberalism has fallen with Hayek's own diagnostic in his *Road to Serfdom*. More importantly, the same language condemning the "faith" of liberalism and the "stationary creed" of liberalism can be found in Karl Polanyi's *Great Transformation* (Polanyi 2001[1944], 141ff) published three years before.

[98] Here Audier (2012a, 2012b) is misguided in attributing to Röpke and Rüstow and the sociological wing of liberalism the exclusivity of the rupture with the old liberalism. Audier criticizes Hayek as being disingenuous in his rejection of the classical liberalism because of his later historical work recovering the wisdom of classical liberalism, even sometimes adopting the denomination of "Old Whig." In our view, we have demonstrated repeatedly that Hayek's transformation and adoption of a "neoliberal" framework justifies the view that he genuinely attempted to break with classical liberalism and to build a liberal social theory on new grounds. Recovering the partial wisdom of old liberals as ways to rewrite a liberal history sympathetic to the neoliberal goals ought not to be mistaken with a genuine adhesion to their views, which, as we have demonstrated, are based on entirely different, and thoroughly criticized, epistemological foundations.

doctrinal agreement on the fundamental rules and principles.[99] "When in one of my circulars," Hayek told his audience, "I employed the somewhat highflown expression of an "International Academy for Political Philosophy" I meant to emphasize by the term "Academy" one aspect which seems to me essential if such a permanent organisation is to fulfil its purpose: It must remain a closed society" (Hayek 1992, 247). This choice, however, was mitigated by the interdisciplinarity of the participants, something Hayek both desired and cherished. In many ways, it reflected his own trajectory – and some of the other participants' – from one discipline to another. More than half of the participants had, one way or another, deviated from their discipline of training, and they all shared the conviction that liberalism was not confined to the methodological principles of one discipline, but was first and foremost a shared epistemological understanding of the world, which carried manifold ramifications in all disciplines. As Rappard had suggested, for the majority of them, being a scientist and being a liberal were two quasi-identical statements.[100]

In his address, Hayek gathered in one speech most of the threads early neoliberals had been weaving until then:

> "the interpretation and teaching of history has during the past two generations been one of the main instruments through which essentially anti-liberal conceptions of human affairs have spread; the widespread fatalism which regards all developments that have in fact taken place as inevitable consequences of great laws of necessary historical development, the historical relativism which denies any moral standards except those of success and non-success, the emphasis on mass movements as distinguished from individual achievements, and not least the general emphasis on material necessity as

[99] This defining aspect of the MPS has been often noted in the critical literature – especially with regards to Popper's critical view of Hayek's plan. It has been amply developed in the neo-Gramscian literature on neoliberalism (cf. Walpen 2004, Plehwe & Walpen 2006). Yet this choice should not be taken only as the ultimate proof of the ideological nature of the MPS, but rather as a consequence of its sociology of knowledge.

[100] Businо explains: "Either Rappard and Hayek think that the mastery of the social world is near impossible. Both reject rationalism and despise the typical voluntarism and reformism of sociological reason. They equally abhor scientistic holism and constructivism, that is to say worldviews elaborated according to an abstract plan that the history of men ought to follow" (Businо 1990, 215-6).

> against the power of ideas to shape our future, are all different facets of a problem as important and almost as wide as the economic problem" (Hayek 1992, 243).

There is a lot to unpack in such a concise diagnostic of the failure of liberalism. Most of the themes I have discussed in the previous chapters are here presented together: the fatalism or necessity of the historical narrative and of the relativist position, whose spread neoliberals tended to assign to Mannheim and the discipline of sociology in all its ramifications. Among other sociological efforts of the 20th century, Durkheim and his reliance on "social facts," as well as efforts of sociologists to think in terms of collective concepts, had incensed early neoliberals. But as I have revealed, nothing incensed them more than the sociology of science and the sociology of knowledge which had spread in the 1930s, undermining the "power of ideas to shape our future" by linking epistemic production, social position and class interests. In his address, Hayek took the opportunity to repeat his fierce rejection of the epistemological and historiographical trends of his time and their nefarious consequences on the fate of liberalism:

> "It is, I think, important that we fully realise that the popular liberal creed, on the Continent and in America more than in England contained many elements which on the one hand often led its adherents directly into the folds of socialism and nationalism, and on the other hand antagonised many who shared the basic values of individual freedom but were repelled by the aggressive rationalism which would recognize no values except those whose utility (for an ultimate purpose never disclosed) could be demonstrated by individual reason, and which presumed that science was competent to tell us not only what to do but what ought to be. Personally, I believe that this false rationalism, which gained influence in the French Revolution and which during the past hundred years has exercised its influence mainly through the twin movements of positivism and Hegelianism, is an expression of an intellectual hubris which is the opposite of that intellectual humility which is the essence of the true liberalism that regards with reverence those spontaneous social forces through which the individual creates things greater than he knows" (Hayek 1992, 244).

Here, more than anywhere else in his writings, this short passage concisely summed up Hayek's research programme during the war and the conclusions he had reached about the various issues he had considered: whether scientism as a by-product of positivism and historicism in "Scientism and the Study of Society," the influence of French rationalism in "The Counter-Revolution of Science" and "Individualism: True and False," the decisive role of spontaneous forces for the organization of human endeavours in "The Use of Knowledge in Society," or the descent of liberalism as a result of these combined theoretical and historical trends in *The Road to Serfdom*. This preoccupation for the redress of liberalism through the elaboration of a specifically liberal history of the development of Western societies, would eventually feature in a prominent place in the statement of aims which the Society would draft during their proceedings.

Drafted by an *ad hoc* committee comprising Walter Eucken, H. D. Gideonse, Hayek himself, Henry Hazlitt, Carl Iverson, and John Jewkes, the initial statement of aims agreed upon during the proceedings clearly conveyed this intention (Hartwell 1995, 40). The draft statement restated the two main objectives of the Society. On the one hand, its critical program targeted the historical corruption of liberalism by leftist thinkers. On the other, it reasserted the need to restore a specifically liberal science. First, the drafters blamed the two main intellectual tropes of wartime neoliberalism: historical fatalism and historical relativism. "Among the most dangerous of the intellectual errors which lead to the destruction of a free society," they wrote, "are the historical fatalism which believes in a 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 purpose at which it aims" (quoted in Hartwell 1995, 40). This statement would be bowdlerised in the final and official statement of aims edited by Lionel Robbins, and adopted the day after, which only mentions that: "The group holds that these developments have

been fostered by the growth of a view of history which denies all absolute moral standards and by the growth of theories which question the desirability of the rule of law" (*ibid.*, 41-42).

Also absent from the final statement was the reference to academic freedom, a theme dear to Polanyi and Rappard. The draft statement contained ten matters of interest versus six in the final statement; the tenth point stating that: "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 be allowed to impair it" (quoted in Hartwell 1995, 50). It is difficult to speculate on why this point in particular was redacted from the final version: perhaps the overall statement felt too long and too dispersed, and Robbins opted for a more compact version. Perhaps, Robbins' own war work for the government along with the social relations of science leaders, had softened his view of the use of science and scientists for socially expedient purposes. That this last statement was not retained does not fundamentally alter our opinion of the development of the society. Its erasure only contributed to obscuring the initial commitment of neoliberals to the scientific worldview they had built during the war.

As a result, there was nothing in the working plan of the MPS that hadn't been previously tackled in the various writings authored by early neoliberals. The scientific direction of the Society as imagined by Hayek represented a prolongation and an extension of the early neoliberal program he had participated in from the early 1930s on. While much of the neoliberal historiography conceives of the MPS as the cradle of neoliberalism—or at least a new beginning—it is vital not to overlook the profound continuities between its wartime activity and the foundation of a more formal society. At that time, many early neoliberals still conceived of the Society's work much like they reflected on the WLC: a place to renovate and rebuild the philosophy of liberalism upon a new

understanding of science—especially economic and political science—, one that they had promoted and sharpened in their opposition with leftist thinkers and scientists.

Whither neoliberalism? The state, the social question, and religion

In many ways which remain unacknowledged to this day, the debates carried out during the ten days of the conference prolonged the ones which were discussed at the WLC (see chapter 3). The role of the state and the social question were both pivotal topics which divided participants, just as they had done the first time around in Paris. Once again, different camps established themselves, each articulating a more or less radical version of the same set of ideas. Two sessions in particular revealed the dissensions among neoliberals: the first concerned the latitude they would give to the state in order to remedy wage inequality and poverty, and the other, the definition of liberalism and its relation with Christianity.

Role of the state (I): restoring and enforcing competition

Few topics were to provide an opportunity for consensus at the maiden MPS conference, and the role of the state in a liberal economy was no exception. While participants could readily agree on what they found repulsive in state intervention or state monopolies, they did not conceive of the role of the state in the same manner, especially when it came to the social question. Two issues in particular were revealing of their divergences: how to mitigate poverty and cater for a necessary "humanitarian" need (William Rappard and Aaron Director), and how to deal with the corroding effects of capitalism on society.

From the beginning, the vast majority of neoliberals admitted that classical liberalism had failed to provide a suitable theory of the state, one which remedied its failures in addressing the political and economic crisis. Moreover, the WLC had laid bare the rift which existed between the

sociological approach of Röpke and Rüstow, and the more ideological approach of Mises, Hayek, and Machlup. In the WLC proceedings, Rüstow had revealed a clear line of demarcation among neoliberals: between those who considered the masses' adhesion to liberalism a psychological problem, and those who thought that it was mainly a sociological problem (see chapter 3). Here, more than anywhere else, the distance between the European members and their American counterparts was revealed, especially since the latter group, spearheaded by Frank Knight, Aaron Director, and Loren B. Miller, had been picked for their allegiance to strict free-market principles.

With the exception of Mises, participants agreed that no blanket judgement could be directed at the role of the state and its interventions.[101] Hayek made it clear in his opening speech to the session devoted to "Free Economy and Competitive Order" that liberalism had failed in the past because of both its incapacity to articulate a liberal theory of the state, and of its unwillingness to give the state a wider range of economic powers. If neoliberals were to update their theory of the state, they needed to abandon their negative view of the state as acting on behalf of special or sectional interests—be them cartels, trade-unions, the people, or corporations. Treading closer to ordoliberalism, Hayek proposed that the state was the indispensable protector of the economic order, that markets were neither natural nor spontaneously created, but rather established within legal and social parameters. Whereas the founders of liberalism had "endeavoured to minimize the coercive powers of the state," Director observed, "the task of our day is to redefine the role of the state so as to prevent the assumption of this power by organized minority occupational groups."[102]

[101] Frank Graham for instance declared that: "I fear that Professor Mises is 100% wrong in his answer to Professor Robbins. Perfect freedom exists in the jungle. There is no law there. I think if we carry out the suggestions of Professor Mises we shall be in the jungle. We are here met to find the middle road between the jungle and the jail. It seems to involve a very careful consideration of what the government ought to do, and how much it ought to do." Discussion on "Free Economy and Competitive Order," Tuesday, April 1st Afternoon and Evening Session, Hayek Papers, box 81, folder 4.

[102] Discussion on "Free Economy and Competitive Order," Tuesday, April 1st Afternoon and Evening Session, Hayek Papers, box 81, folder 4.

Rather than rejecting the state, neoliberals would need to embrace it, and for that purpose, to offer an alternative account of its position in the economic order.

The most important mistake of classical liberals had been "to have given the impression that the abandonment of all harmful or unnecessary state activity was the consummation of all political wisdom and that the question of how the state ought to use those powers which nobody denied to it offered no serious and important problems on which reasonable people could differ" (Hayek 1948[1947], 109). Director concurred with Hayek when he blamed the "incomplete character of the theory of liberalism as developed in the nineteenth century" for the "increasing amount of state intervention" in the first half of the 20th century. This older theory, offered Director, provided "no role for the state in economic life beyond that of enforcing contracts, and performing economic functions which cannot be undertaken by individual enterprise."[103] Faced with increasing conflicts between the social interests of the community and the preservation of free enterprise, liberals often acceded to demands for more state intervention, in the hope that it would ultimately solve the contradictions of a capitalist social order.

Building on the early neoliberal theory developed by Lippmann, Rougier, and Eucken, it was commonly admitted among the participants that the state was a pivotal institution of a liberal order, whose interventions could be classified as either "legitimate" or "illegitimate" vis-à-vis the market mechanism. The inflation of the state's economic prerogatives had led to an impoverished sense of its true economic function: that of an active participant to the establishment and preservation of competition. "The theory of liberalism," boldly declared Director, "must be extended to include a prescription of the role of the state in making private enterprise the

[103] Discussion on "Free Economy and Competitive Order," Tuesday, April 1st Afternoon and Evening Session, Hayek Papers, box 81, folder 4.

equivalent of competitive enterprise."[104] This simple thesis was also succinctly pointed out by Hayek when he said that "competition can be made more effective and more beneficent by certain activities of government than it would be without them" (Hayek 1948, 110).

The main themes which Hayek and Director submitted to their audience as avenues for discussion mostly dealt with the repressive legal apparatus of the state which could be used for enforcing a competitive order. It ranged from clarifying and adapting the laws of property and contract, to the prevention of cartels and monopolies, to the provision of monetary stability, and, in the end, to the issue of economic inequality and its remedy through taxation and redistribution.

Role of the State (II): mitigating the social effects of capitalism

Another dimension which separated neoliberalism from classical liberalism lay in its willingness to tackle the social question, not as an externality, but as an integral part of a renewed doctrine. Despite the absence of some of the most socially oriented participants of the WLC (Auguste Detoeuf or Louis Marlio), the audience at the MPS was prone not to repeat the mistakes of their liberal predecessors. If Hayek had insisted that the objective of a competitive order was to "make the market work wherever it can work" (Hayek 1948[1947], 111), he immediately raised the caveat that necessary provisions ought to be made for the "unemployed and the unemployable poor" (*ibid*., 112) in a way which least interfere with market competition. On this matter, Hayek's position was consistent with a large swath of the neoliberal network: the assistance to those outside the labour market ought to be both compassionate and unconditional, yet without impact on the price mechanism, i.e. without any redistributive effect. This "humanitarian" imperative[105]

[104] Discussion on "Free Economy and Competitive Order," Tuesday, April 1st Afternoon and Evening Session, Hayek Papers, box 81, folder 4.

[105] A qualification which Rappard had tried to promote in his speeches and writings. Director also underlined this necessary change of attitude: "We are perhaps witnessing a fundamental change in our basic beliefs. The virtues of individual freedom no longer command the support they once did. Order, security, and a fixed status in life are now

ought to compensate workers for the brusque movements of the market, and guarantee that redundant employees are not left without resources: "State intervention," answered Director to Hayek, "was mainly a response to the humanitarian tradition of liberalism; it was not designed to change our basic form of economic organization but to offset some of the unacceptable consequences of the competitive market."[106] Indeed, Director defended that "effective freedom is impossible if individuals are highly unequal in economic power, i.e., in income and wealth."[107] Members who voiced social concerns hoped to identify regulations and reforms that would "preserve spheres for market exchange without subjecting the full range of human experience to their destabilizing force" (Burgin 2012, 115).[108]

At the same time, it was clear that unemployment moneys could not be tied to the preservation of a certain level of income for a specific group. As such, it needed to be detached from any wage policy. The mistake which liberals had made in the past, Director offered, had been to condone "ad hoc interventions to aid special groups, interventions which, in the main, have interfered with the market and have created inequalities to replace those removed"[109] such as minimum wage laws, social security, or protective tariffs. Taxation was another difficult topic that neoliberals were

the prevailing objectives. From this point of view, the free competitive market is indicted and abandoned because it does its task too well and thus yield results incompatible with our moral values." Discussion on "Free Economy and Competitive Order," Tuesday, April 1st Afternoon and Evening Session, Hayek Papers, box 81, folder 4.

[106] Discussion on "Free Economy and Competitive Order," Tuesday, April 1st Afternoon and Evening Session, Hayek Papers, box 81, folder 4.

[107] Discussion on "Free Economy and Competitive Order," Tuesday, April 1st Afternoon and Evening Session, Hayek Papers, box 81, folder 4.

[108] A prime example of this reserve is the following statement made by Röpke in the session on Agriculture: "What is the position of liberalism towards agriculture? Tendency to look at agriculture as at any other industry. More and more liberals, however, are coming to believe the opposite, that agriculture is a way of life. No longer so much interested in agriculture as such, but as the social life of the family farm. […] Family farm – thereby we avoid the proletarian nomads of industrialization. Liberal wants to do justice to the "social way of life" of the farmer, but at the same time does not want to associate himself with reactionary policies." Discussion on "Agricultural Policy," Wednesday, April 9th Morning Session, MPS Inventory, Liberaal Archief, Ghent.

[109] Discussion on "Free Economy and Competitive Order," Tuesday, April 1st Afternoon and Evening Session, Hayek Papers, box 81, folder 4.

carefully treading on. If they generally admitted that taxation was necessary for the state to run its budget, they disparaged the principle of progressive taxation used for redistribution. They thought that this represented the archetype of the type of intervention which, once in place, gradually transformed the whole of the economic organization.

Thus, Hayek and Director both wished to reorient this liberal humanitarian imperative away from the goal of economic equality, and towards the elimination of poverty. The latter proposed that "large increases in the productivity of our working force could be obtained by measures widening the opportunity to obtain technical and professional education as well as by measures devoted to improving the wellbeing of the children in poor families."[110] Director favoured a distribution of benefits proportional to the level of income by relying exclusively on progressive income taxation. This would guarantee a minimum income, without state interventions directed at the welfare of specific or occupational groups. On the contrary, Hayek persisted in conceiving a redistributive scheme as an interference to the price mechanism, being, therefore, illegitimate.

As a result, the thorny issue of wage policy and its relations with trade unions proved divisive between on the one hand, participants who considered unions to represent coalesced interests preventing free competition and, on the other hand, those who reckoned that they had become an indispensable part of any post-war settlement. Some vehemently defended that the unions' monopoly powers over labour were illiberal and needed to be dismantled, others called for negotiating with the more reasonable union leaders as a way to curb the demands of labour. No middle ground could be found between radicals and moderates.

[110] Discussion on "Free Economy and Competitive Order," Tuesday, April 1st Afternoon and Evening Session, Hayek Papers, box 81, folder 4.

William Rappard, for instance, openly supported an agreement with trade unions on wage policy on the model of Switzerland, because it provided a solid foundation for industrial peace. "The [Swiss] labour leaders," he proposed, "are closely tied up with the whole economic process. They were shown and convinced that wage rises, for instance, would be bad for the country as a whole and in the long run for the worker themselves." To Rappard, the task of the neoliberals shouldn't be to dismantle the unions but "to educate the trade unions leaders, and members, to a conception of solidarity of employers' and employees' interests."[111] John Jewkes had a more pragmatic view of the role of unions, insisting that if union leaders accepted the premise of a market economy and its long-term efficiency in raising living standards, they could be reliable partners. Across them, Frank Graham thought that the elimination of unions was a condition to reaching full employment. For Machlup, Watts, and Graham, trade unions constituted the main obstacle to the mobility of labour required for a smooth operation of the business cycle. In summing up the discussion, Machlup concluded:

> "I want to group together the opinions of Professors Rappard, Polanyi and Jewkes, that the unions are here to stay, that we can hope that unions will restrain from making excessive demands, and that we should educate the labour and union leaders and members. I consider this position to be romantic. I don't see why the labour union with the power to keep its members from starvation should let them starve. [...] Industrial peace is something we should be afraid of, as it can only be bought at the cost of further distortion of the wage structure."[112]

One basic neoliberal tenet can be established from these discussions: neoliberalism must include a humanitarian imperative to care for the poor and the unemployable. At the same time, any attempt to equalize wages or incomes through redistribution was considered a breach to the

[111] Discussion on "Wage Policy and Trade Union," Tuesday, April 8th Morning Session, MPS Inventory, Liberaal Archief, Ghent.
[112] Discussion on "Wage Policy and Trade Union," Tuesday, April 8th Morning Session, MPS Inventory, Liberaal Archief, Ghent.

market mechanism. Any intervention which did not distort the price mechanism by favouring special interests was "conform" to a competitive order, while interventions which interfered with the market and its spontaneous order led inevitably to a controlled economy and illiberal practices. In that debate, European participants shared a more conciliatory approach than their American counterparts, who clearly sided with manufacturers and business interests.

Values and the role of Christianity

As I have argued in this research, the conventional epistemology of neoliberalism created in its center a metaphysical void, a default of legitimacy. Neoliberals were united around the idea that science and the scientific method provided the necessary tools for the rebuilding of liberalism, but many doubted whether a recoded liberal doctrine would provide the ultimate motives and values needed to ensure that the price mechanism and the market could be accepted as moral. As a result, many early neoliberals felt that religion played a key more in upholding a common moral framework. Without its countervailing influence, the abrasive and relativistic effects of a market economy endangered social order.

Already in 1944, Hayek had predicted that: "If a more liberal outlook is to be fostered among the great masses who are neither definitely 'Right' or 'Left', any such effort must carefully avoid that hostile attitude towards religion characteristic of much of Continental liberalism, which has done a great deal to drive hosts of decent people into opposition to any kind of liberalism" (Hayek 1992, 210). In his opening address, Hayek signalled once more the importance of the issue for the future of the neoliberal collective. He expressed the will that neoliberalism mended its bridges with Christianism, atoning for the mistakes of an intransigent liberalism based on rationalism:

> "It is this intolerant and fierce rationalism which is mainly responsible for the gulf which, particularly on the Continent, has often driven religious people from the liberal movement into reactionary camps in which they felt little at home. I am convinced that

> unless this breach between the true liberal and religious convictions can be healed there is no hope for a revival of liberal forces. There are many signs in Europe that such a reconciliation is today nearer than it has been for a long time, and that many people see it in the one hope of preserving the ideals of Western civilisation. It was for this reason that I was specially anxious that the subject of the relation between liberalism and Christianity should be made one of the separate topics of our discussion" (Hayek 1992, 244).

Just like the role of the state and the social question, the neoliberals' attitude towards religion, and its relation to liberalism, was not cohesive. At the special session dedicated to "Liberalism and Christianity" on April 4th, two camps could easily be drawn. One side gathered the partisans of an antagonist position between Christianity and Liberalism, insisting that their respective outlook remained at odds, even though they shared certain values. For them, the inviolability of the freedom of thought and of tolerance which had been at the core of the uprising of liberalism during the 17th and the 18th century remained anathema to a Catholic church, that they considered to be dogmatic and obscurantist. The other side insisted that the overall moral framework of Christianity and liberalism were common, especially regarding the independence and responsibility of the individual. Liberalism and Christianity shared the same objective of a well-ordered society, and they could be advantageously amalgamated to fight off the evils of Communist secularism and materialism, which many considered responsible for the descent of Western civilization into the chaos of totalitarianism. The nihilistic trends of the last decades could then be countered by a liberalism which valued the moral force which the church could exercise.

As I have expounded in chapter 4, Karl Popper sat firmly the first camp, while Friedrich Hayek and Michael Polanyi defended a position of conciliation, if not outright collaboration, between a reformed Christianism and a reformed liberalism. Hayek had repeatedly denounced the excess of a "rational" liberalism, which had led to the diversion of many religious moderates away from an increasingly dogmatic liberalism. Equally, Polanyi had valued the English Christian tradition as

liberal in nature, and had condemned the rampant materialism unleashed by both Communist apologists and *laissez-faire* apostles. Both Hayek and Polanyi understood that liberalism was a friable ideology, demanding a dose of faith from its adherents.

This divide flared up during the MPS session as well: Frank Knight, tasked with opening the discussion, manifested his scepticism as to the compatibility of religion and liberalism, highlighting the century-old struggle between Church and State in Europe. The secular spirit of science and the "belief by reason" was opposed to the dogmatic attitude of the Church demanding a "belief by faith."[113] This antagonist attitude was reminiscent of the anticlericalism of Rougier, who reviled the Church for its antiscientific spirit. Notwithstanding this, this line of thought remained in the minority and was thought by many to be obsolete given the current situation. Walter Eucken, a self-proclaimed liberal and Christian, declared that the fate of Christianity and liberalism were linked and that plannism and totalitarianism threatened to unravel the *modus vivendi* which had been established between the two. "We face an entirely new situation," he declared, one "in which Christianity if it is to be an active and determining force, can exist only if the ends which unite us here are successful."[114] Ultimately, the partisans of a conciliation between liberalism and Christianity insisted on the fiduciary nature of both ideologies, a shared mystique laying at the core of their respective teachings.

In one of the critical exchanges of the conference, Popper rebutted Polanyi's (and by extension Hayek's) fiduciary foundations for liberalism and science. He insisted that the suspension of doubt required for an embrace of liberalism based on faith contravened the imperative of tolerance

[113] Discussion on "Liberalism and Christianity," Friday, April 4th Morning Session, MPS Inventory, Liberaal Archief, Ghent.

[114] Discussion on "Liberalism and Christianity," Friday, April 4th Morning Session, MPS Inventory, Liberaal Archief, Ghent.

which constituted the superior motive of liberalism. While Popper agreed that liberalism required "a set of rules," he thought Polanyi's fiduciary approach to be in "very grave danger of throwing liberalism overboard altogether." For Popper, liberalism was strongly defined by its tolerance towards other opinions and faith, a permanent opening to critical opinions in the hope of achieving "some common basis of agreement."[115] In his opinion, the program of liberalism had to deal with humanitarianism and the requirement of an open and tolerant society, not one committed to a definite set of values and principles. This constant revisability of established practices and values, and the critical epistemology associated with it, would become a hallmark of Popper's liberalism.

This debate on the fiduciary foundation of liberalism revealed the epistemological ambiguity intrinsic to a conventionalist framework. Since axiomatic principles could not be ultimately proven nor justified by science or reason alone, they had to be embraced on faith, a faith reinforced and shared among participants as they became involved in a joint endeavour. In the end, this version of neoliberalism hinged between two forces tugging in opposite directions: a strict respect for the scientific method, and an appeal to morals and values. I propose that Michael Polanyi came the closest of proposing a systematic reconciliation of this antagonism. His opposition to Popper (Jacobs and Mullins 2009) marked two very different orientations of neoliberalism: one which embraced the principles it followed from an act of faith, against another which favoured epistemic flexibility and tolerance in search for the largest common ground.

The foundation of the MPS presented early neoliberals with the chance to articulate the "body of valid ideals" they had mentioned in the Statement of Aims. While their concerns for both the

[115] Discussion on "Liberalism and Christianity," Friday, April 4th Morning Session, MPS Inventory, Liberaal Archief, Ghent.

misuse of knowledge and science, and the decline of the ideals of liberalism were widely shared, their respective worldview as to what constituted an ideal liberal order varied noticeably. The consensus which presided over the definition of the aims of the Society did not extend very far. Although some common ground was found around the primacy of the price mechanism, there was little agreement regarding the social theory which underpinned the members' view of the relationship between the individual, the community, society, and the international order (Burgin 2012, 108).

The members of the Society, however, had charted a common epistemological outlook vis-a-vis the social conditions and use of knowledge in a world now defined by its theoretical and social complexity; something which, they thought, distinguished their time from that of 19th century classical liberals. They believed this new epistemic stage in the history of Western civilization had made Communism and market socialism deceptively simple solutions, incorrect and misleading in their conclusions and promises. On the other hand, neoliberals had acknowledged that liberalism had to overstep its adversarial rhetoric and embrace a vision – a "liberal Utopia" – which could combine the defence of the market mechanism and a rhetoric of social progress under these new conditions. Milton Friedman became the most vocal defender of this new language for liberalism, one where markets, instead of being cold engines of selection, bestowed a range of social benefits superior to collectivism. He lamented that liberalism was "at times used as a defence of the status quo, instead of being dynamic and progressive" and proposed that the MPS ought not to put its efforts towards a criticism of progressive policies, but demonstrated a genuine concern for the progress of man's welfare.[116]

[116] "Discussion of Aims and Purpose" Friday, April 4th, Afternoon Session, MPS Inventory, Liberaal Archief, Ghent.

Tensions within members persisted around the key issue of the mediation of the market between the individual agent and his social existence: was the market an epistemological engine capable of creating and distributing welfare fairly? Or was it disruptive of established communities and, despite its economic necessity, needed to be included into a broad liberalism mindful of pre-existing conditions? The most radical partisans of either of the two options would never find enough common ground to keep the project of rebuilding a common agenda for liberalism at the forefront of the MPS's concerns.

Hayek and Polanyi both felt that the reconciliation of these two dimensions made a broad consensus between free-market radicals and more conservative tendencies within the Society possible. When Bertrand de Jouvenel wrote to Hayek that "when Capitalism triumphs there is, as I see it, a decline of culture," the latter agreed that "capitalism is not necessarily favourable to culture, but it makes certain cultural growth possible which would probably not be possible under socialism," indicating to its ability to nurture "the growth of tradition as an impersonal, not centrally directed force."[117] This same argument was a staple of Polanyi's liberalism, where each tradition represented a decentralized order allowing for an organic organization of society. For Hayek and Polanyi, free-markets and traditions, far from being opposite poles requiring a political mediation, worked hand in hand in fostering dynamic orders, which enabled individuals to make the best use of their personal knowledge. The scientific project of early neoliberalism manifested an equal respect for the function of traditions reinterpreted in a liberal way, and the function of the marketplace in the social order. Both were related to an evolutionary complexity which spontaneously ordered large-scale interactions. Hayek and Polanyi criticized a naïve rationalism which they associated with the French intellectual tradition. Their neoliberalism, and early

[117] Letter Bertrand de Jouvenel to Friedrich, undated (1950); and letter Friedrich Hayek to Bertrand de Jouvenel, 4 October 1950, Hayek Papers, box 76, folder 15; quoted in (Burgin 2012, 114).

neoliberalism in general, sought to reconcile the amount of personal knowledge which agents carry, with the impersonal processes that spontaneous orders like the market produce. The ineffability of the former became the latter's yardstick of success.

PART 5. THE MPS AFTER 1947

Doubts and convictions

The reaction of MPS members after the meeting was split between a mild disappointment and a palpable anticipation at the birth of the society. Because it had not focused enough on unemployment, Polanyi did not find the conference very satisfying (Scott and Moleski 2005, 203), whereas Röpke enjoyed the meeting beyond his expectations and admitted to his friend Rüstow, absent in Switzerland, that the progress accomplished there had been really extraordinary compared to the WLC in 1938. He was delighted over the isolation of Mises during the meeting, and over Hayek's newfound sensibility for the sociological and cultural determinants of the Western crisis (Solchany 2015, 250). Writing to Hayek several weeks after the meeting took place, the Norwegian liberal publicist Trygve J. B. Hoff appreciated that "some of the Americans were keen on "practical result." On the other extreme you found some who missed a deeper diagnosis of the illness of liberalism, in order to revive liberalism. I can see both points."[118]

Likewise, Hayek was keen to stress the peculiar nature of the American contingent compared to the relative homogeneity of the European participants. Writing to Jasper Crane, he admitted to be struck by the "lack of tolerance […] they all showed towards each other" advancing that "there is

[118] Letter Trygve Hoff to Friedrich Hayek, 31 May 1947, Hayek Papers, box 75, folder 7.

on the one hand a tendency to create an unreasoning orthodoxy which treats traditional liberal principles as a faith rather than a problem on which reasonable people may differ, and on the other side a deep suspicion of all groups who may seem to defend liberal principles in the interest of some particular group."[119] Since Jasper Crane was an important philanthropist associated with the DuPont conglomerate, it is likely that Hayek was overplaying the differences expressed at the conference in order to show that he should have greater control over the list of American guests the Volker Fund was willing to pay for. On the other hand, apart from Simons and Director, the American delegation was not particularly congenial to Hayek's intellectual background. American scientists had not lived the scientific and political crisis of their time in the same terms as Europeans, and Lippmann's *Good Society* had found a larger echo in Europe than in the United States. Bertrand de Jouvenel, coming back from a long trip in the United States where he took "ample opportunity of the contacts made in Mont-Pèlerin," echoed these dissensions in a letter to Hayek where he expressed that for "some of our friends over there the conference had been somewhat less rich in concrete consequences than they hoped. They felt we Europeans were very far gone in *dirigisme* and could not be counted upon to join in a vigorous campaign of straight propaganda."[120]

Despite the intentions of Rappard, Hayek, and others who had contributed to the early neoliberal efforts to build a positive liberalism, the pursuit of this program within the MPS failed to carry momentum. According to Hartwell's own hagiographical history, Hayek's success at founding the MPS was tempered by the fact that his project did not end up being "the society of political philosophy that he had planned" (Hartwell 1995, xiv). During its first decade of existence, most of the non-economist founding members would either resign from the society, or take lesser part in

[119] Letter Friedrich Hayek to Jasper E. Crane, 19 June 1947, Hayek Papers, box 73, folder 1.
[120] Letter Bertrand de Jouvenel to Friedrich Hayek, 15 February 1948, Hayek Papers, box 76, folder 15.

debates, while others took a more prominent place. Historians have pointed out that while discussions were lively and good-hearted, "there was no actual consensus between those who pleaded for a reactivation of the free-market and those who preferred a socio-economic model which, while being liberal and anti-socialist, was more conservative and concerned with solidarity and social protection" (Audier 2012b, 238). Quickly, the domination acquired by economists within the Society, in place of the communion of "philosophers, political scientists, sociologists, lawyers, historians, and scientists" which had been intended, resulted in a lesser attention being paid to the "noneconomic aspects of a free society" (Hartwell 1995, xv). Similarly, Angus Burgin underlines the same dilemma at the heart of the foundation of the MPS: while Hayek was successful at creating a sheltered venue for the ideological formation of neoliberalism, "the debates failed to unfold as he had hoped" because participants were "united in what they opposed but shared little agreement in their attempts to construct an alternative vision" (Burgin 2012, 121). Polanyi, for instance, who regarded capitalism and tradition as connected elements of an antirationalistic critique of planning, disputed members who conceived the two as incompatible. Members like Röpke, Rüstow, or Müller-Armack warned that the implementation of market mechanisms needed to be checked in order to avoid social chaos in the fields of religion, agriculture, or culture. On the other side, free-market radicals believed that it was rather a shared desire to evade such limitations which had brought them together in Switzerland.

Three elements account for the progressive distance felt by a share of early MPS members. Firstly, contrary to what had been agreed on at the original 1947 meeting, members became progressively wary of discussing liberalism as a general idea or as a framework for society. Some members felt that the Society had relinquished its role as an intellectual center for the development of an alternate account of what liberalism entailed beyond economic freedom. Maurice Allais' refusal to sign the Society's final statement of aims illustrated this sense of disillusionment. Writing to Hayek

after the Conference ended, Allais regretted that the Society had adopted a "settled and dogmatic position on the superiority of a regime based on the private property of business." Questioning the aims of the Society as a whole, Allais wrote candidly:

> "the whole question is to know whether the proposed group wishes to commit to a rigid dogmatism for the future or whether, on the contrary, it wishes to maintain in its organization a principle of free thought, of free discussion, on the basis of general principles accepted by all. Is it about creating a political action group or a society for the defense of private property, or, in contrast, is it about founding a society of thought capable to re-examine without prejudice all the questions at stake and lay the foundations of a genuine and effective renovation of liberalism?"[121]

At the end of his letter, Allais lamented that this dogmatic position might repel other genuine liberals and lead them to think of the Society's members as "continuing to be in essence reactionaries." Secondly, the idea of a multidisciplinary academy which Hayek had envisioned quickly faded as economists took the lion's share of new appointments whereas philosophers and polymaths declined in numbers. When the question of the recruitment of future members flared up during the session in charge of drawing up the MPS rules, both Polanyi and Jouvenel wished to limit the enrolment of economists, fearing they would overwhelm the debates. In the end, however, no such provision was adopted in the Memorandum of Association.[122] Finally, the Society was perceived as rather closed onto itself and unwilling to commit to its positions publicly. Many early participants were split on the respective importance awarded to its academic dimension compared to its ideological project. Europeans lamented the marginalization of a general inquiry over liberalism, whereas Americans regretted the lack of public engagement of the society.

[121] Letter Maurice Allais to Friedrich Hayek, 12 May 1947, Hayek Papers, box 72, folder 6; my translation; Mirowski (2013, 71) gives a different translation.

[122] "Discussion and Adoption of 'Memorandum of Association' of Mont-Pèlerin Society," Tuesday, April 10th, Morning Session, MPS Inventory, Liberaal Archief, Ghent.

Forking paths

At the conclusion of its first decade, the MPS had substantially moved away from the foundational questions which had motivated its constitution: the epistemological reform engaged by early neoliberalism did not survive its organizational impulse. Hayek's ambition to prevent the MPS from becoming a society of economists had largely failed, and the high number of economists present at the initial meeting had drawn more economists into the Society's ranks. Polymaths members like Frank Knight or C. V. Wedgwood retreated from debates which had become increasingly economistic in style. By early 1956, Hayek was already suggesting to colleagues that the society ought to celebrate its tenth anniversary and then wind down (Burgin 2012, 124). The "Hunold affair," which torn the MPS apart from 1958 to 1960, caused a mass resignation of Continental members in 1960. It narrowed the Society's membership down to technical economics and an Atlantic identity even further. Despite this internal feud, the membership had crept up to 258 in 1961, making it harder and harder to organize meetings (Burgin 2012, 127-8).

As a result, both Aron and Jouvenel would effectively withdraw by the end of the 1950s, the latter addressing a long letter to Milton Friedman where he asked:

> "Has the Society remained faithful to its initial spirit? This I have increasingly doubted. [...] Now as against this wide mandate of defense and promotion of freedom, [...] the Society has turned increasingly to a Manicheism according to which the State can do no good and private enterprise can do no wrong. [...] It is much to be admired that people have strong intellectual convictions and are willing to fight doughtily for them: but such a people do harden an intellectual group into a mould. The group then is not a free company of people who think together with some initial basis of agreement but it is more like a team of fighters. This is what Mt. Pèlerin, in my eyes, has become."[123]

[123] Letter Bertrand de Jouvenel to Milton Friedman, 30 July 1960, Friedman Papers, box 86, folder 2.

The original members' ambition to create an active dialogue between economists and philosophers dissipated, as the shared attempt to construct a "new" liberalism had irremediably collapsed. In a letter sent in 1955, Polanyi explained his own misgivings to Hayek about the MPS whose:

> "great achievements were due to a theoretical position which is not wholly right and which succeeded to some extent in spite of some rather far reaching errors. […] One of the benefits of the Mont Pèlerin Society was to consolidate friendships, such as those between [Bertrand de] Jouvenel and myself which fostered a somewhat different view of liberty and the menaces to liberty than those expounded by [Ludwig von] Mises and [Jacques] Rueff – and sometimes by yourself. Of this I have made no secret, either in Beauvallon [France, MPS Meeting 1951] or in Venice [MPS Meeting 1954], at both of which places I intervened to say so at some length."[124]

Reluctant to be a source of divisiveness among the members, Polanyi concluded the letter by asking Hayek whether he should withdraw from the Society. In response, Hayek encouraged Polanyi not to withdraw as he represented "an extreme wing" in a Society he had never intended to become "homogenous." Hayek's answer is revealing in that he conceded that the original intention of the MPS had been somewhat betrayed, and that "wider philosophical issues" were no longer topic of discussions anymore. This phenomenon, he admitted to Polanyi, had dented his own interest in participating: "if you and perhaps the two others I have mentioned [Aron and Jouvenel] ceased to attend," Hayek wrote, "I should probably rapidly lose interest in the proceedings and get tired of the thing."[125] Despite personal assurances that they were both "concerned with the same kind of problems which are my concern," Polanyi retreated himself from any involvement from this point onward.

[124] Letter Michael Polanyi to Friedrich Hayek, 9 November 1955, Hayek Papers, box 43, folder 35.
[125] Letter Friedrich Hayek to Michael Polanyi, 20 November 1955, Hayek Papers, box 43, folder 35.

It is significant that this epistolary exchange took place six weeks after the conclusion of the "The Future of Freedom" Conference of the Congress for Cultural Freedom (CCF) organized in Milan in 1955. Michael Polanyi and Raymond Aron both sat on the organizing committee which aimed at a reconciliation between progressives and (neo)liberals. MPS members Bertrand de Jouvenel, Carlo Antoni, and Franz Böhm were also involved in the preparation of the event. Ditching the conflictual language of the Cold War, and of the MPS to some extent, the program asserted that "beneath the surface of everyday political discussion and controversy, there are already signs of a tendency to rethink our conventional political ideas in the light of recent history." The meeting aimed at setting up a new framework for cooperation between opponents, serving as a forum for the expression of views from "economics, sociology, and political philosophy."[126] The interdisciplinary and philosophical program underpinning the CCF was precisely that which had vanished from the MPS, and was sorely missed by some of its members.

Consequently, it makes sense to consider the MPS and CCF as two competing projects for the redefinition of liberalism, each with a specific recruitment, strategy, and vision. One would nearly disband in the 1960s before its members, now mostly economists, would gain international recognition; the other would be hugely successful in providing a forum for diverse liberal intellectuals, but would ultimately falter once its financial ties to the CIA were revealed (Saunders 1999, Scott-Smith 2002). In a way, the CCF realized what Karl Popper had wished for the MPS, when he warned Hayek that the adoption of ideological prerequisites would hamper the Society's capacity to mediate disputes and recruit members from diverse backgrounds (see *supra*). In Milan, the social-democrat orientation of many of the leading participants overwhelmed the neoliberal voices. With national political leaders such as Willy Brandt or Hugh Gaitskell, or reformist

[126] Program of "The Future of Freedom. Milan, September 12-17," IACF Papers, box 397, folder 5.

economists like C. A. R. Crosland and J. K. Galbraith as participants, the Milan Conference aimed at celebrating the advent of a post-ideological agenda. Meanwhile, the MPS took a more radical turn towards free markets and against intervention (Audier 2012b, 312).

Polanyi had personally invited Hayek on behalf of the organizing committee, judging that the debate between him and Gaitskell would constitute the "axis of the Milan conference."[127] Nevertheless, Hayek was relegated by participants as being of the last standing members of an outdated liberalism. Even among his former MPS friends, relations had turned cold. In addition to Polanyi's aforementioned private reserves, Aron publicly shunned Hayek's liberalism in his opening allocution for being too ideological and dogmatic, disparaging "certain forms of neoliberalism" as an "inverted orthodoxy."[128] Nothing illustrates the diverging paths of both institutions better than the editorial signed by Raymond Aron in May 1955 in *Le Figaro*, in which he acknowledged the futility of strict ideological divisions when contemplating that: "[A] semi-*dirigiste,* semi-liberal commercial policy has brought the same results which, theoretically, would have been induced through liberal mechanisms. Impassioned controversies between the doctrinaires of liberty and the doctrinaires of administrative control today take on an outdated and almost trivial character."[129] During the CCF conference itself, left-leaning thinkers like Stuart Hampshire and Jacob Talmon lambasted Hayek as representing a "reactionary concept of the defense of liberty" to which Hayek virulently retorted that he did not come to the conference to "write an obituary of Liberty."[130]

[127] Letter Michael Polanyi to Friedrich Hayek, 14 July 1955, Hayek Papers, box 43, folder 15.
[128] Raymond Aron, "Opening allocution," IACF Papers, box 397, folder 7.
[129] Raymond Aron, "La reconstruction de l'Europe," 29 May 1955, *Le Figaro* (quoted in Stewart 2015).
[130] "Proceedings September 17th, morning session," IACF Papers, box 398. folder 3.

The agenda of the CCF was to overcome the ideological divisions which the MPS had acted to reinforce. Despite a sensible hope of uniting the two projects, the two organizations were working at cross-purposes. While the MPS was progressively becoming an American vehicle for free-market revivalism, the CCF mainly sheltered left-to-center anti-communists intellectuals. The 1955 Conference definitely annihilated Polanyi's ambition of a genuine liberal renovation on the terms as those of the 1947 MPS conference. In a lucid letter to Frank H. Sparks, then president of Wabash College, Hayek confessed that his participation to the Milan conference had given him a new motivation to carry on with the MPS, at a moment when doubts about its viability had started to emerge: "the experience of attending this Congress on the Future of Freedom," he wrote, "composed as I find predominantly of socialists, has taught me more than almost anything else could how important the efforts of the Mont Pèlerin Society are."[131] Its earlier program forsaken, a more mature and offensive neoliberalism was already in the works.

[131] Letter Friedrich Hayek to Frank H. Sparks, then president of Wabash College, 16 September 1955; quoted in Walpen (2004, 92).

CONCLUSION

Summary of findings

In more than one way, the story of early neoliberalism is one of an intellectual letdown in the midst of organizational success. During the Great Depression, common-sense liberalism had hit upon an *epistemological obstacle*[1] for which it had no remedy. A substantial agreement existed upon the obsolescence of the *laissez-faire* doctrine: liberal principles and policies had failed to keep up with the scientific advances of the turn of the century. Natural and social scientists during the interwar period understood social turmoil and revolutions as intellectual crises and as political turning points in equal measure. Inspired in part by the apparent success of the Soviet Union, they regarded the intellectual aims and social function of science to be in line with a scientific reform of society, one which would ensure greater control over centrifugal and irrational processes. In this debate, the idea of employing planning as a solution to economic distress and political impotency rallied both scientists looking for political influence and politicians in search of scientific credentials. As I have argued, this scientific impulse played a key role in the genesis of neoliberal ideas. Their novelty proceeded from the connection they established between a conventional epistemology and the ontology of a liberal society.

[1] I borrow the term "epistemological obstacle" from Gaston Bachelard in *The Formation of the Scientific Mind* (1986[1938]).

In chapters 1 and 2, I elucidate how two separate debates fused in the formation of neoliberalism. Whether opposed to the planning of science or to that of the economy, Michael Polanyi and Friedrich Hayek deployed similar epistemological arguments against the soundness of central command, refuting the superiority of deliberate direction over 'spontaneous' coordination. The output of Michael Polanyi, in particular, makes him a singular figure. Ranging from the philosophy of science to economic theory, his polymath interests were not untypical among early neoliberals. What set him apart, however, is his comprehension of freedom as a *method* of coordination across various 'dynamic' orders, exhibiting analogical properties. While socialist scientists and politicians offered rational planning as the logical output of science and reason applied to social affairs, early neoliberals challenged its positivist premises and sociological determinism. Hayek's trajectory highlights the neoliberal transition from a critical outlook of rival economic ideas, to an explicit understanding of social order based on dispersed knowledge. In their respective endeavors, Hayek and Polanyi both rejected the possibility of "scientific politics." To them, this trope denoted a methodological delusion based on a misunderstanding of the nature of scientific work, and a hubristic sentiment of its potential. Emblematic of totalitarian countries, planning submitted the scientific quest for objectivity and validity to political expediency, thereby rejecting the standing of science as a universal project.

As shown above, the peculiar role of *epistemological analogies* in the construction of early neoliberal theory appear there in plain sight: the epistemological principles unravelled in the analysis of the economic order, and in the workings of science, are in fact the templates for a much larger understanding of social activities. I revealed how scientific freedom and economic freedom are but paradigmatic examples of the different liberties enjoyed by citizens in liberal states: these liberties are necessary to the integrity of heuristic procedures like the one found in science, or in the market. Shedding light upon the dependence of neoliberal theory upon an epistemological

understanding of the opportunities and limits to freedom constitutes my main contribution. This is where I locate the original character of neoliberalism, and how it differs from classical liberalism, social liberalism, and conservatism.

Largely uncharted in the literature, chapter 3 contributes to a genealogy of the ideas of Louis Rougier and Walter Lippmann, the two intellectual driving forces behind the organization of the Walter-Lippmann Colloquium. I contend that they pondered a similar diagnostic to the crisis of liberalism as first and foremost a scientific crisis, and proposed common remedies to restore its badly-damaged scientific credentials. By itself, Louis Rougier's career exemplifies the fluidity between scientific commitments and political diagnostic at play in early neoliberalism. Already in the 1920s, Rougier had linked the future of liberalism to its scientific reform. I argue that Rougier's epistemological ideas were directly relevant to his justification of a liberal order. From Paris to Vienna and Geneva, Rougier aimed at sanitizing both science and politics from the *mystiques* polluting them, by the means of an application of Henri Poincaré's conventionalism to political ideologies. Walter Lippmann, on the contrary, never considered himself at the center of the emerging network of early neoliberals, save for the years 1936-1940 when his impact was maximal. More than the man, it was his book *The Good Society* and his standing as a public intellectual which attracted the attention of Continental neoliberals. However, Lippmann's own epistemological critique of scientific politics, which buttressed his presentation of liberalism as a *method* based on the rule of law, has often been forgotten. His proposal of a positive "Agenda of Liberalism" influenced similar efforts by, among others, Polanyi, Hayek, and Rougier, and constituted the reference document for the organization of the Walter-Lippmann Colloquium, which takes place at a pivotal moment in the consolidation of early neoliberalism.

Nurtured by the moneys of the Rockefeller Foundation and the League of Nations, neoliberalism became transnational thanks to the circulation of its ideas and personnel, testifying to the

internationalization of science during the interwar years. Upon meeting in 1938, the participants confirmed their intention to develop an intellectual movement for the renovation of liberalism, with the CIERL at its core. They established a common agenda which rejected *laissez-faire* as well as planning and socialism. More importantly, they articulated a positive role for the state (through judicial and institutional design), a rejoinder to the social question (through benefits and insurances), as well as, and this is my main hypothesis, a recoding of the liberal doctrine (through conventionalism). Out of these three aspirations, I show that only the last one was comprehensively fulfilled during the war. Indeed, the late 1930s constituted a period of intense intellectual convulsion during which the epistemological break separating neoliberalism from classical liberalism is at its the most visible.

Chapter 4 offers an interpretation of the development of early neoliberalism in three directions, each turning epistemological commitments into political arguments. Since liberalism had been recoded as a conventional body of principles, I explain how its axiomatic elements needed to be developed and refined in a broader social theory. Improving upon their denunciation of the "scientism" of socialism and progressivism, early neoliberals developed two key novelties: a liberal sociology of knowledge and a liberal reading of tradition. Largely unnoticed until now, the personality and works of Karl Mannheim galvanized the publishing efforts of neoliberals, and compelled them to further elaborate their sociological intuitions. So doing, they distanced themselves from the view that knowledge, both common and scientific, would be the pure product of intellectual work. They established that reflective opinions and views, albeit personal and tacit, were socially produced and circulated. In this perspective, traditions embodied the sedimentation of these spontaneous processes of exchange and coordination in which the market occupied a vital heuristic function of selection and diffusion. From a critical programme designed to contest the possibility of intervention, neoliberalism progressed thanks to its epistemological recoding of

liberalism. In doing so, I claim that the shape of the neoliberal ideology differs substantially from any other one: intervention and freedom, planning and spontaneity, the rule of law and social order, represent so many concepts anchored upon the same epistemological matrix.

Chapter 5 further explains how the neoliberal *ideological* project emerged from the *scientific* intuitions that its early promoters advanced. Following the success of *The Road to Serfdom*, Hayek elaborated an ideological strategy in which a closed circle of intellectual producers fed their ideas to the public through strategically placed intermediaries. I argue that this program offered new discursive resources and strategies in which the reciprocal frontiers between scientific work (as a "grid of intelligibility") and ideological program (as a "method of rationalization") became porous.[2] Key to the institutional continuity and organizational success of neoliberalism has been "the ability of MPS intellectuals to engage in serious research, scientific projects and knowledge production, as well as the strategic and tactical capacities of neoliberal networks" (Plehwe and Walpen 2006, 29). This two-pronged advance lies at the core of the capacity of neoliberalism to create multiple levels of discourse which are sometimes mutually reinforcing, often contradictory, and which create numerous instances of "double truths" (cf. Mirowksi 2013, 68ff). My dissertations shows that the conventionalist epistemology of neoliberalism is key for understanding its identity and strategy over time. Disagreements over the scientific program of the young MPS, I conclude, provoked an important rupture over the aims of neoliberalism, when many of its early promoters left the MPS. This justifies my chronological break between an "early" phase of neoliberalism, and its later iterations.

[2] These two Foucauldian categories are useful in distinguishing between neoliberalism as a scientific program, and as an ideology with its own tactical capacities. Cf. Foucault (2008, 243, 318).

Science and politics

Throughout its recovery of early neoliberalism, this dissertation has focused upon the relationship between the epistemology of scientific theories in the social sciences and the production of political discourse. Either as a critique of rival scientific conceptions, or as an investigation into the epistemological foundations of liberalism, early neoliberalism intensified the scientific penetration of social theory; science, its methods and prestige, provided alternative ways to reform and legitimize political programs. I will now condense some of the findings pertaining to this question, as I consider them my most original contribution to the history and theory of neoliberalism.

Let us start once more with the situation of science during the interwar period, wedged between economic and theoretical turmoil. On the one hand, the economic crisis of the 1930s burrowed deep into scientific communities: the livelihood of scientists, and the material conditions of their work, were threatened by the recession and, later on, by the prospect of war. In totalitarian countries, whole branches of science gradually bowed to the commands of party lines, scientists themselves turning into accomplices or forced into exile. In England, the politicization of science reached unprecedented levels, bolstered by critical discourses emanating from the emergent disciplines of the history and sociology of science. Key to the emergence of neoliberalism, I argue that this polemic around the aims and methods of science ushered new philosophical outlooks onto the science of politics and the politics of knowledge.

On the other hand, the institution of science itself had entered a transformative period at the turn of the century. The foundational crisis of mathematics, and its repercussions in physics and chemistry, had mutilated the classical epistemology of science, whether Euclidian, Cartesian, or Newtonian. This crisis was one of the ferments of the dynamic intellectual activity of the early 20th century in Europe. What was once certain and immutable, anchored in Reason or Nature, now

appeared as shifting and movable. During that time, the conventionalist epistemology, which Poincaré elaborated at the turn of the century became an important resource. Founding science on conventional axioms offered a half-way solution between a selection of certain values and practice in relation with their test and verification through experience. Methodological rules and precautions became supremely important in order to avoid the pitfall of relativism and preserve the unity of science. Human decisions, rather than being peripherical to the scientific enterprise, were now given center stage in accounting for the character and merit of scientific theories.

Neoliberalism was born at the intersection of these two separate historical threads: economic depression and scientific crisis. It thrived on questioning and displacing established sources of epistemic authority, using analytical tools afforded by the new scientific spirit. I argue that this impulse accounts for the way neoliberalism employs the rhetoric of science.

Neoliberals interpreted the popular defiance towards liberalism as a foundational crisis: what liberals had once taken to be natural (e.g. the market) or rational (e.g. the separation of economics and law) swiftly appeared outdated. Mainstream parties and opinion leaders had increasingly distanced themselves from an ideology they found directly responsible for the centrifugal tendencies of parliamentary politics. Nationalist, corporatist, progressive or socialist ideas proposed alternative visions which reconciled, to varying degrees, scientific management with central direction. In this context, I maintain that early neoliberals distinguished themselves by treating the crisis of liberalism as a scientific crisis; its renovation took the shape of a research program based on agreed axioms, such as the integrity of the price mechanism. In doing so, early neoliberals shared with their adversaries the diagnostic of the shortcomings of liberalism: its poor understanding of the positive role of the state, its blindness to the social question, and its dogmatic views regarding the perimeter of public action. This revisionist attitude permitted a strategic

assimilation of the criticisms that their opponents leveled at them, something the literature has started to acknowledge only recently.

Decisively, I defend that early neoliberals adapted the solutions found in the natural sciences to the renovation of political doctrines. They refuted that liberalism provided a description of political relations anchored either in nature or in reason. As in mathematics, the crisis of liberalism had foreclosed the theoretical option that liberalism "corresponded" to a *natural* state of mankind, or, alternatively, that it was founded upon unassailable *rational* principles. On the contrary, liberal principles ultimately represented conventional axioms adopted for convenience: they had evolved over time according to the degree to which they provided means for 'spontaneous' or 'unplanned' cooperation. My research demonstrated that this critical (or sceptical) conventionalism provided the boundaries for a research program renovating liberalism from the bottom-up, the same way the axioms of natural science had been redefined. Like the "new scientific spirit" from which it drew its inspiration, the world according to neoliberals resembled a complex chaotic system, onto which laws had to be imposed if certain effects were to be observed and produced. Political axioms were thus evaluated heuristically, according to their potential in providing a greater amount of individual agency with minimum coercion. I suggest that this division between a disordered, and ultimately unknowable, moving universe, and lawful, observable, regularities is a methodological trademark of early neoliberalism. It runs throughout the acknowledgement of tacit knowledge versus explicit knowledge, the signaling function of prices, the function of the rule of law and of tradition, and, crucially, the reciprocal bailiwicks of scientific research and political action.

Moving back to the evolution of the scientific field, I describe how the economic depression induced a political reading of the process and progress of science. Whether in America or on the Continent, scientists became increasingly politicized, and perceived their scientific work as an integral part of the development of their respective societies. This mobilization of scientists qua

citizens accompanied larger ideological commitments: science itself was conceived as instrumental to the achievement of a fully-realized Nazi, Communist, or liberal society. Scientists of all obedience drew a direct line between their scientific practice, its ethos, and the reform of society as a whole. From Otto Neurath's involvement with popular education in Vienna, to Bernal's agitation of scientists' union and to the development of a dedicated ministry for science in France, the politicization of science took many shapes. The neutral attitude of older generations of scientists was reviled and rejected, as science could not remain neutral or passive regarding the political events of the day.

Thus, I observe how early neoliberals and socialist scientists both pleaded for a reorientation of science which would acknowledge the "impurity" of scientific work, that is, its dependence upon specific social and economic circumstances. After the war, the impairment of academic freedom in totalitarian countries, sometimes with the tacit approval of Western scientists, rallied the intellectual opinion behind a "liberal" view of science. Large-scale planning and direction were abandoned because the treatment of scientists in totalitarian countries had discredited the idea that the supreme goal of science was to serve society. Yet, the 'social relations of science' movement had paradoxically managed to impose its views. Early neoliberals accepted that science, to continue its tasks, needed public funding, institutional support, and constitutional guarantees. They adopted the view that the sphere of science was not independent from social needs and pressures. Forged during that time, the idea of the autonomy of the "scientific community" as a special constituency fenced off claims that the work of science needed to be directly integrated with social needs. By linking analogically the freedom experienced by the scientist, as the one guaranteed by the market or by the rule of law, my research shows that early neoliberals derived a much larger argument about the position of thought in society. As a result, they interpreted the question of academic freedom in close relation with the definition of a liberal social order. Whether

in the Society for the Freedom of Science, the Mont-Pèlerin Society, or later, the Congress for Cultural Freedom, the position of thought and knowledge in society became the pivotal theme of their intellectual tradition.

Epilogue: The 'corpseless' death of early neoliberalism

Although it only scans a couple of decades, this dissertation has validated one conclusion from the recent literature: the history of neoliberalism, if anything, is neither linear nor coherent (Peck 2010; Audier 2012b, Burgin 2012). Beyond personal quarrelling, the transition from early neoliberalism to a later form marked a rupture in its scientific orientation. Whereas the program of an epistemological recoding of liberalism gathered momentum on both sides of the Second World War, it floundered in the 1950s, its sessions and exchanges increasingly veering towards the development of a political economy of capitalism.[3] The discussions on the moral aspects of liberalism, its scientific methodology and the reconciliation of competition with social security faded out. New members were drawn primarily from the Anglo-American world and Economics departments, leading to the departure of many polymaths from the MPS. Thus, neoliberalism as it developed in the 1970s and 1980s, notably in America and Great Britain, looked very different from its predecessor. As the "constructive" dimensions of its early decades subsided, the MPS abandoned its foundational program.

A word ought then to be said about the ascendency of Milton Friedman, one of the participants to the original meeting of the Mont-Pèlerin Society in 1947. When Friedman became president of the MPS in 1970, his methodological program had been outlined more than a decade earlier in 1953

[3] For instance, Salvador de Madariaga, before leaving the MPS, wrote to Wilhelm Röpke that he had become pessimistic vis-à-vis the general orientation of the Society, particularly its "tendency to exclusively adopt an economic attitude, both detached and pedantic." Letter Salvador de Madariaga to Wilhelm Röpke, 9 November 1959; quoted in Audier (2012b, 201n3).

in his *Essays in Positive Economics*. Contrary to early neoliberals, Friedman's faith in the efficiency of free markets was unbounded. Though early neoliberalism coalesced around the establishment of a revisionist program for liberalism, later neoliberalism progressively distanced itself from this initial stage. The project to "reconstruct a liberal philosophy" expounded by Hayek in his Opening Address of 1947 was all but abandoned once the MPS entered its second phase of growth.

Friedman's ascension corresponded to the decline of the prudent approach of the early neoliberals. Hayek's trajectory from Vienna to London to the Committee on Social Thought at Chicago had fortified his reputation as an interdisciplinary scholar. His forages into the philosophy of science, theoretical psychology, and social epistemology attracted fellow polymaths eager to distance their liberalism from a purely economic conception. In that sense, the late 1940s marked the pinnacle of early neoliberalism, with the MPS as its main vehicle. By the end of the 1960s however, its new members had been increasingly drawn from technical economics, and non-economists were reluctant to continue participating in a Society whose positions and methodologies diverged from its initial statement of aims (Burgin 2012, 210).

Early neoliberals had been steeped into a sceptical view of the use of scientific knowledge to directly reform or orient society. If political change could be achieved, it was only piecemeal through a series of mediations and vulgarizations whose effects could only be measured one or two generations later. To that extent, the growing popularity of Milton Friedman and his ideas also represented a vindication of the Society's strategy, as free-market views were slowly returning to the mainstream. Friedman himself acknowledged as much in an article fittingly titled "Neoliberalism and Its Prospects":

> "The stage is set for the growth of a new current of opinion to replace the old, to provide the philosophy that will guide the legislators of the next generation even though it can hardly affect those of this one. Ideas have little chance of making much headway against

> a strong tide; their opportunity comes when the tide has ceased running strong but has not yet turned. This is, if I am right, such a time, and it affords a rare opportunity to those of us who believe in liberalism to affect the new direction the tide takes. We have a new faith to offer; it behooves us to make it clear to one and all what that faith is" (Friedman 1951: 90).

Nevertheless, the rising influence of the Chicago School and their fellow travelers among MPS members altered the epistemological platform of early neoliberalism. The scientific imagination of the new generation of neoliberals and that of the later ones vividly contrasted. These divergent perspectives reflected deeper scientific disagreements. The MPS had been founded on the rejection of positivist tendencies in economic science, which had supported the philosophy of *laissez-faire*. As traces of the calamities of the 20th century vanished, neoliberals in the vein of Milton Friedman believed their economic knowledge to be directly useful to shape public policy. Their epistemological hypotheses stated a renewed confidence in the capacity of economic science to reach an accurate depiction of reality. Thus, neoliberals seemed then to be resorting to the same empirical and rational modes of reasoning they had fought so hard to eliminate. Friedman's positive economics were founded on a dynamic vision of economic science, one in which the discrepancies between theoretical models and the "real world" were bridged through successful approximations.

Therefore, positivism and instrumentalism replaced scepticism and conventionalism as the main theoretical software of neoliberalism. The success of the initial program in pushing back the scientific claims of their opponents had translated into a new-found confidence in the positivist premises of economic knowledge, which dwarfed the epistemological dilemmas with which early neoliberals wrestled. Friedman revitalised the supremacy of economic science as the true liberal science, and of economic freedom as the explicit foundation of political freedom (cf. Friedman 2002[1962]). Characteristically, he suggested that economists use their knowledge to participate

directly in political debates and formulate policy recommendations – something Friedman did repeatedly from the Barry Goldwater presidential campaign of 1964 to Reagan's victorious run of 1980.

Later on still, the works of James Buchanan, Gordon Tullock, George Stigler, and Gary Becker, all MPS members, displayed an approach to political and social problems early neoliberalism had sought to reject entirely. Their epistemological inspiration, far from taking its roots in the Viennese debates around the limits of knowledge, derived from a positivist credence in the capacity of economic science to give an account of the real world. Far from rejecting the formalization of the *homo economicus*, they embraced it. The core epistemological assumptions of early neoliberalism were thus progressively superseded by "the crisper and more effective promotion of free markets and deregulation" (Stedman-Jones 2012, 89) emerging from the Chicago school and the Virginia school. The opacity of psychology was replaced by a positive description of one's preferences: hidden motivations and tastes could be assumed away through fixed propositions. Once again, social sciences, through this positive economic framework, duplicated the search for precision and predictability the early neoliberals had rejected as "scientistic" or "hubristic."

Both a positivist view of economic modelling, and the collapse of the distance between scientific knowledge and political feasibility, had been anathema to early neoliberals. The young MPS was so unsure of public attention that Hayek feared that it might become a "secret society" in which free-market positions would be cultivated by an initiated elite (Burgin 2002, 198). The later success of the MPS at gaining influence did not alleviate some members' concerns that this new-found importance had been gained at the cost of abandoning earlier promises. The continuity of neoliberalism, therefore, owes to the sturdiness of its institutional design and the ramification of its network of *think tanks*. Early neoliberalism succeeded at implementing lasting organizations able to rival competing ideological vehicles.

After three decades, the number of conservative and free-market *think tanks* considerably outnumbered progressive ones. On the one hand, this testified to the remarkable prescience of early neoliberals in developing a liberal sociology of knowledge which offered a cartography of the kind of intellectual change they wanted to achieve. On the other hand, the political context itself had changed: the sense that capitalism was in crisis had dissipated and the Chicago School determination and optimism offered an improved message over Hayek's recriminations and warnings. Despite theoretical disagreements, both shared the same confidence in their intellectual agency: both believed that unorthodox theories, when disseminated with the right strategy, would gain influence in the long run. The rapid growth of the MPS after its schism in the early 1960s attested to its success at positioning itself at the core of the diffusion of the neoliberal program through numerous *think tanks*, notably the Institute of Economic Affairs in the United Kingdom, the American Enterprise Institute, and the Heritage Foundation.[4]

"The irony of the Mont-Pèlerin Society," remarks Burgin, "is that it achieved its goal of generating social change at the expanse of the new philosophy that its members had assumed any such change would require" (Burgin 2012, 185). My analysis has demonstrated that the attempt to subsume the defence of economic competition in a larger scientific worldview, one which identified itself with the liberal tradition as a whole, has irremediably collapsed. The visible success of an exoteric version of neoliberalism has masked the inner ruptures observed in the more esoteric circles of theoretical production. Its organizational durability, thanks to the capture of the marketplace of ideas, has facilitated the occultation of these divisions. The disappearance of self-proclaimed

[4] Burgin writes: "The Mont Pelerin Society was, above all else, an expression of faith in the power of philosophical abstractions to instigate long-term political change. Hayek had no explicit theory of transmission and little interest in cultivating or supporting modes of propagation; his sole concern was to create a space that would foster the generative capacity of ideas" (Burgin 2012, 217). Our work demonstrated on the contrary that Hayek had been preoccupied for a long time by the capacity of liberal ideas to regain ascendency and the means to achieve it. The foundation of the MPS, more than anything, shows that Hayek put the propagation of neoliberal ideas at the heart of his intellectual entrepreneurship.

neoliberals, and the fortune of 'neoliberalism' as a critical concept, prove beyond doubt the gapping discontinuity of its short history. Beyond conceptual novelties, the agility and endurance of the neoliberal ideology has stemmed from its sophisticated comprehension of knowledge, one which grew out of their central epistemological commitments (Mirowski 2013, 333). In the end, this epistemological mobility of neoliberalism, initially considered an asset, did much to erode its founding principles, once its ideological war machine superseded its limited project of demarcating a science of liberalism. There, early neoliberalism had been laid to rest, its corpse never to be found.

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