THE NEOLIBERAL INHABITANTS OF MONT PELERIN

In this post, I talked about the intersection of neoliberalism and neoclassical economics. There is a lot of talk on the left about neoliberalism, and a number of ideas about what it is. For me, neoliberalism refers to the general program of a group of economists, lawyers and othes loosely grouped around the Mont Pelerin Society. This description is used by Philip Mirowski in his book, *Never Let a Serious Crisis go to Waste*. Mirowski did a Book Salon at FDL, here; the introduction gives a good overview of the book, and Mirowski answers a number of interesting questions.

The writer Gaius Publius provides an historical perspective here. Classical liberalism is based on the idea that property rights are central to the freedom of the individual, an idea espoused by John Locke, as the Theologian Elizabeth Bruenig explains here.

> John Locke's 1689 discussion of property in his Second Treatise on Civil Government establishes ownership as a fundamental relationship between the self and the outside world, with important implications for governance. In Locke's thought, the justification for private property hinges upon one's self-ownership, which is then applied to other objects. "Every man," Locke writes in the Second Treatise, "has a property in his own person: this no body has any right to but himself." Through labor, Locke continues, the individual mixes a piece of herself with the outside world. Primordial self-ownership commingles with material objects to transform them

> into property.

In this view, property is the central element that structures individual lives and then society as a whole. Those who have it are entitled to total control over it, just as they are over their own person. Perhaps they should even be in charge of operating the state. When you think about that era, you can see why that formulation would be popular: it solved the problem facing newly rich merchants and others under a monarchy. They were in constant danger that royalty would seize their property from them without fair compensation. Locke's argument provides a framework to limit the power of the monarch. It also explains the relation between slaves and owners, and women and men. And, as Bruenig points out, it can be extended to justify protection of property with the same force allowed in self-protection.

The defense of property from interference by the State leads directly to the idea of small government. Government shouldn't interfere with markets any more than it should interfere with any other use of property. The combination of these ideas leads to the principles of classical liberalism: nearly absolute personal freedom for those with property, and a tightly limited sphere of government action. This is the classical formulation of liberalism.

It lasted until the Great Depression and the New Deal. Franklin Roosevelt was faced with the rich on one side, and with angry and miserable workers on the other. These workers and unemployed people, and most of the citizenry were looking at the massive damage done by capitalists and their capitalist system, and saw that the system did not work for them. They were listening to the leftists of the day, socialists and communists; independent smart people like Francis Townsend; and powerful speakers and populists like Huey Long and Father Coughlin. The elites were frightened of the power of these people to inform and structure the rage of the average citizen, and FDR was able to force them

to capitulate to modest regulation of the rich and powerful and their corporations, including highly progressive tax rates.

FDR and the Democrats embraced the term liberalism, and the meaning of the term changed to include a more active state, to some extent guided by Keynesian economic theory. In this version of liberalism, the government becomes a tool used by a society to achieve the goals of that society. People who stuck with the old definition of small government coupled with massive force in the protection of property and rejected all Keynesian ideas were labeled conservatives.

The reformulation of the definition of liberal did not sit well with a segment of the conservatives. Friedrich Hayek and his rich supporters launched the Mont Pelerin Society in 1947. The point of the MPS is to preserve and extend classical liberalism, in an effort to prevent FDR-style liberalism from turning the US and other countries to socialism or something even worse. It is a diffuse group, not secretive, but it doesn't seek publicity. It seems to content itself with publishing papers and having meetings at which like-minded people can talk to each other and feel good about their brilliance.

The name neoliberal comes from their desire to recapture the glory of small government capitalism. This is from a speech delivered by Edwin J. Feulner, the outgoing president of the group, in 1998:

> But with the onset of Progressivism and the New Deal, many Americans became attracted to a political philosophy that was diametrically opposed to Jefferson's. The new statist philosophy had great faith in public man, but was deeply distrustful of private man. It maintained, quite incorrectly, that the uncoordinated activities of ordinary individuals were bound to culminate in economic catastrophes like the Great

> Depression, and it looked to an all-good, all-wise and increasingly all-powerful central government to set things right. In the view of these statists – who brazenly hijacked the term "liberal" to describe their very illiberal philosophy – what we Americans needed was more government, not less.

The FDR socialists and communists brazenly hijacked the term "liberal" to cover their assault on the principles of small state property protection. That gives you some idea of the ressentiment of the neoliberals. They have a strong sense of entitlement, and they cling to grudges for decades. Hayek was perhaps most famous for his book *The Road to Serfdom*, written in the wake of World War II, a screed warning against socialism. That wasn't going to happen, but it fit neatly with the ressentiment of the filthy rich capitalists who never forgave the Class Traitor FDR.

The Statement of Aims of the MPS is here. It describes a limited choice: Communism or Free Market Capitalism This stark choice has

> … 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. It holds further that they have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.

This statement shows why the filthy rich love neoliberalism: it feeds there sense of self-glorification. That it lends itself to exploitation for their cash benefit is a lovely side benefit.