

The
Walter
Lippmann
Colloquium

The Birth of Neo-Liberalism

Jurgen Reinhoudt and Serge Audier



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palgrave
macmillan

2018

ACKNOWLEDGMENTS

I am thankful to Ellen Kennedy (University of Pennsylvania) for bringing the Walter Lippmann Colloquium to my attention several years ago, and I thank her, Anne Norton (University of Pennsylvania) and Harold James (Princeton University) for their constructive feedback in the course of writing my dissertation, which provided the impetus for this subsequent project. I thank two anonymous reviewers for their insightful and thoughtful comments on an earlier draft of this project.

Institutionally, I thank Stanford University's Hoover Institution, as well as the Future of Diplomacy Project at Harvard University's Belfer Center for Science and International Affairs. Both enabled me to work on this project and see it through to completion. I also thank our editor at Palgrave Macmillan, Michelle Chen, for her interest in this project and John Stegner for his careful editorial assistance in shepherding this project through.

I am most thankful to my wife and my daughter for their strong support.

Jurgen Reinhoudt

I am thankful to Palgrave Macmillan for its interest in providing a translation of this important text in the history of ideas, which in my review remains a source of reflection on the history of capitalism and its crises. I thank two anonymous reviewers for their willingness to provide feedback in this process. I thank Michelle Chen and John Stegner for helping to bring this project to successful completion.

Serge Audier

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PART I

Introduction

Although the term “neo-liberalism” has been frequently used in recent decades, much analytical ambiguity continues to surround it.¹ The 1938 Walter Lippmann Colloquium, the theoretical birthplace of neo-liberalism, has been the subject of recent interest.² Even as scholars readily acknowledge the Colloquium’s importance, relatively little has been written about this crucial primary source, particularly in English-language scholarship.³ The French liberal economist François Bilger, in his analysis of German *ordo-liberalism* published in 1964, refers to the Lippmann Colloquium and its importance, but without elaborating the point.⁴ More recently, the English historian of the Thatcher revolution, Richard Cockett, refers quickly, in passing, to the Lippmann Colloquium as well.⁵ Max Hartwell, a liberal historian of capitalism and member of the Mont Pèlerin Society on whose work Cockett draws—despite markedly different political convictions—refers to the Lippmann Colloquium as well, but briefly also: he focuses on the history of the Mont Pèlerin Society after World War II.⁶ In their analysis of European liberal ideas, Vivien Schmidt and Mark Thatcher (2013, 7–9) also mention the Lippmann Colloquium, but briefly. The importance of the Walter Lippmann Colloquium has therefore been known for some time, albeit in a somewhat confidential manner. Nevertheless, none of these authors—of different intellectual perspectives—provide a full description or analysis of the Colloquium, as though its meaning was clear, and as though the Colloquium ought to be considered merely a step—a fateful step to some,

a beneficial one to others—without particular specificity leading to the Mont Pèlerin Society and the triumph of “neo-liberalism” in the late 1970s and 1980s.

DISCOVERING AN ESSENTIAL DOCUMENT IN THE HISTORY OF “NEO-LIBERALISM”

Even the concept of “neo-liberalism” is far from being clear, however, as the analysis of the Lippmann Colloquium demonstrates. In fact, the term “neo-liberalism” has a complex history. In the 1930s through the 1950s, French economists Alain Barrère and Gaëtan Pirou—two important figures in French economic thought who were openly distant from classical liberalism—among others, distinguished “neo-liberalism” from nineteenth-century “laissez-faire” liberalism in their histories of economic thought.⁷ The well-known German political scientist Carl Friedrich used the term “neo-liberalism” to refer to Germany’s *ordo-liberal* theorists.^{8,9} In the 1970s, the term “neo-liberalism” was occasionally used, for instance by the French “new economists” who popularized the ideas of Friedrich von Hayek and Milton Friedman,¹⁰ and, in their wake, by Michel Foucault in his lectures on the birth of the biopolitics,¹¹ as well as, still around the same time, by a leader of the left wing of the French Socialist Party.¹² From the 1970s on, the rational-choice models developed by Gary Becker¹³ and the Public Choice school theory developed by Gordon Tullock and James Buchanan have sometimes been conflated with “neo-liberalism”. In Latin America, after the coup d’état in Chile and the work of the “Chicago boys”,¹⁴ use of the term “neo-liberalism” spread, although not immediately.

It was in the 1980s, and even more so in the 1990s that the term “neo-liberalism” increased sharply in usage. The elections of Ronald Reagan and Margaret Thatcher and the implementation of their economic programs, focused on deregulation, tax cuts and (particularly in Thatcher’s case) the privatization of State-owned enterprises, led the term “neo-liberalism” to ultimately be closely identified with their policy programs.¹⁵ In the 1990s, in the context of increasing world trade and the “Washington consensus” in vogue at institutions such as the International Monetary Fund (IMF) and the World Bank, the term “neo-liberalism” became even more widely used, almost always in a critical manner.¹⁶ When the term “neo-liberalism” began to spread in the 1980s and 1990s, the early history of the movement—its complexities and

nuances—would be largely forgotten, also by the promoters of so-called neo-liberal policies themselves, who generally did not claim this term.

“Neo-liberalism” remained an oft-used term in the early twenty-first century. In 2005, the geographer and critical Marxist thinker David Harvey argued “there has everywhere been an emphatic turn towards neo-liberalism in political-economic practices and thinking since the 1970s”.¹⁷ In 2010, Manfred Steger and Ravi K. Roy argued neo-liberalism was “a rather broad and general concept referring to an economic model or ‘paradigm’ that rose to prominence in the 1980s”.¹⁸ In recent years the term “neo-liberalism” has more and more often been used in a critical vein.¹⁹ In the wake of the 2007 financial crisis “neo-liberalism” as a set of ideas has received renewed attention, again much of it critical.²⁰ Often, neo-liberalism has been conceived of as the equivalent of unbridled *laissez-faire*, linked to the deregulation and liberalization of markets. Other understandings of the term have spread, however. Notably in response to the debates on the distinctiveness of the “neo-liberalism” of European integration since the 1990s—but not exclusively—there has been also a renewed interest in theories of the “strong State”—standing above competing interest groups to guarantee the effective functioning of the market order—in the context of early neo-liberal thought.²¹ In fact, it is unclear whether “neo-liberalism” refers to the “withdrawal” of the State from the economy or, to the contrary, to the rise of a strong State guaranteeing market-based competition. These ambiguities are all the more reason to return to the roots of “neo-liberalism”.

As a primary source, the 1938 Colloquium remains significant because it marks the formal birthplace of neo-liberalism as an intellectual movement. The Lippmann Colloquium transcript is exceedingly difficult to find and as a result much knowledge of it is secondary.²² Some of the contributions to the Colloquium were not recorded, rendering the primary source incomplete. Similarly, no audiotape that could serve as an independent scribe of the Colloquium is available. There does exist, however, an edition of the Lippmann Colloquium probably crafted by Louis Rougier, the main organizer of the Colloquium, himself, and this text constitutes a source of inestimable importance in understanding the origins of neo-liberalism. As historians, political theorists, and philosophers continue to debate the history of the term “neo-liberalism” and the term’s meaning, it is useful to devote attention to the 1938 Colloquium where the movement was formally born.

THE WALTER LIPPMANN COLLOQUIUM: A HETEROGENEOUS GATHERING OF “LIBERALS”

As a set of ideas, but also as an intellectual and doctrinal network—“neo-liberalism” was born—formally crystallized—at a Colloquium held from August 26 to August 30 in 1938 in Paris. This does not mean there were no “neo-liberal” ideas or arguments in existence before that time. Rather, it means that as an intellectual movement, in 1938 neo-liberalism acquired a degree of cohesiveness (in spite of profound internal heterogeneity, as we shall see) it had hitherto lacked, as well as an official (if contested) name. Perhaps the philosopher Louis Rougier, epistemologist and philosopher of science, organizer of the Colloquium and of the “neo-liberal” movement, had thought of the term “neo-positivism” with which he was familiar.²³ Rougier was one of the few French members of the Vienna Circle and one of the rare introducers of analytical philosophy in France.²⁴ He had organized the major, pioneering symposium held at the Sorbonne in 1935, the International Congress for Scientific Philosophy, delivering the opening as well as the closing remarks in the presence of the most important philosophers of “logical empiricism” and epistemology.²⁵ The ideological and political context clearly mattered as well, however. It is important to recall that the term “neo-liberalism” arose during this period in reference to a different current of thought: “neo-socialism”. The 1920s and 1930s saw “neo”s proliferate: neo-syndicalism, neo-Saint-Simonism, neo-capitalism, and so on. But the most famous “neo”, and the one that haunted the mind of Rougier, was that of “neo-socialism”, a heterodox current in the French Socialist Party (SFIO) that sought to move beyond Marxism by calling for a new type of “planning” inspired by the Belgian socialist Henri de Man. One knows, through his writings, that Rougier was familiar with this trend. Just as French “neo-socialists” in the 1930s wished to reform old socialism by modifying it and “revising” it to face the new challenges of the era—for the neo-socialists, this meant grappling with the newfound importance of “rationalization” in the economic process, the key role of the middle class and the references to authority and the nation, faced with the fascist threat—so “neo-liberals” sought to revise liberalism.

The word thus appears in the context of a serious crisis: the crisis of capitalism, with the 1929 Wall Street crash and the Great Depression; and a political crisis, with the rise of totalitarian regimes.²⁶ In this context, the term “neo-liberalism” was put forth, well before Rougier, by the influential

French politician Pierre-Étienne-Flandin, from the conservative right: “I do say ‘neo-liberalism,’ because it is correct that the old traditional liberal economy has to be revised”, Flandin argued in 1933, “if only in response to the changes that have affected production techniques and the organization of international trade”.²⁷ The term “neo-liberalism” was cited by economist Gaëtan Pirou—who was very much in favor of new forms of social and economic intervention to get out of the crisis—in 1934 in reference to “an attempt to renew the liberal doctrine”.²⁸ The term was also used as a pejorative term by some socialists, such as Marcel Déat—one of the main theorists of and activists for “neo-socialism”—who had proclaimed the death of liberalism in 1937. Déat accused Léon Blum’s Front populaire of wanting to find some type of compromise between social interventionism and liberalism, which he argued risked giving in to “justifications of neo-liberalism” and could lose the support of the Front populaire’s more left-wing voters.^{29,30}

At the same time, Louis Rougier, who was politically conservative and an elitist theorist of democracy, had read Walter Lippmann’s book *The Good Society* (1937) with great interest. (The book of the famous American columnist had been translated as early as 1938 into French under the title *La Cité Libre*.) Rougier argued that Lippmann’s book “established that the market economy was not, as certain classical economists believed, the spontaneous result of a natural order, but the result of a legal order in which the intervention of the state was a precondition”.³¹

These developments occurred, as we have already suggested, in a context highly unfavorable to liberalism, a system that many believed to be “dead” since the crisis of 1929, the dawn of the New Deal, and various corporatist experiments across Europe, without forgetting the model of the “five-year plans” in Stalin’s Soviet Union, which seduced numerous minds in Western Europe, because it seemed to offer an alternative model to moribund capitalism. Not only economic liberalism was on the defensive: political liberalism was almost everywhere threatened, and was eliminated, in different forms, in Stalin’s Soviet Union, Fascist Italy, Nazi Germany and in Portugal, Spain, and in numerous other countries in Eastern Europe such as Romania. The Lippmann Colloquium took place a little more than a year before the outbreak of World War II, less than six months after the Anschluss and shortly before the “Munich agreement”; a number of its participants were exiles haunted by the totalitarian danger and the threat of war, sometimes openly threatened with their life, such as Ludwig von Mises.

This tragic context serves to illuminate the manner in which, under the drive of Louis Rougier, several “liberals”—of whom several fled National Socialism and anti-Semitism—gathered to defend and renew liberalism. The Colloquium was held at a time when “liberals” seemed particularly isolated, dispersed, and powerless. In August 1938, 26 economists, philosophers, sociologists, civil servants, business executives, and jurists gathered at the request of Rougier to discuss *The Good Society*. Reaching a broad audience through his book, Lippmann had defended political and economic liberalism in the face of a rising worldwide tide of fascism, National Socialism, and communism, all of which were illiberal anti-parliamentary movements based, to a greater or lesser degree, on centralized economic planning and increased autarky, linked to a war economy. The book also provoked discussions in the United States because its author had criticized the *New Deal*, even as Lippmann, formerly a theorist of “progressive” thought, had supported the candidacy of Roosevelt against Hoover in 1932. Faced with the looming threat of war, Lippmann seemed to reject the directed economy in all its forms (even if his position was more subtle if one examined it more closely).³² In France, Lippmann’s book also appealed to conservative circles, which decided to have it translated. The conservative inclination of the Librairie Médicis publishing house was indeed strong; spurred especially by Rougier, it became the home of “neo-liberalism” in France—and, in a sense, with the specific intention of its leadership (on the political right), of the reaction against the Front populaire of 1936, translating and publishing numerous books by liberal authors in a bid to influence public debate, public policy as well as intellectual opinion.

The holding of the Walter Lippmann Colloquium was due in part to chance, even if it responded to a political and intellectual necessity. When Rougier learned that Lippmann would be passing through Paris, he endeavored to bring together a number of interested individuals to have dinner together, which turned into a Colloquium. Rougier’s aim was simple: to bring together a rather heterodox group of thinkers who had made arguments similar—or in any case *similar enough*³³—to the ones made by Walter Lippmann in *The Good Society* or who Rougier believed could be receptive to the book’s central arguments. Nevertheless, the meeting was not brought about easily, Lippmann being wary of the invitation.

It is true that the sociological and political views of Rougier and Lippmann were quite different. Whereas Lippmann was a journalist with

worldwide fame hailing from progressive circles—when he was a student at Harvard he had founded a socialist discussion group, and was subsequently editor of *The New Republic*, alongside Herbert Croly and Walter Weyl³⁴—Louis Rougier, the grandchild of a liberal economist from the city of Lyon, was a little-known philosophy professor and epistemologist whose political ideas were initially very conservative. But the political evolution of Lippmann toward “liberalism” in the continental sense of the term, as well as the context of the time—the rise of totalitarian and authoritarian regimes in Europe—brought these men closer in their attachment to liberalism. And it is on this foundation that a broader, highly amorphous liberal community was constituted.

It is illuminating to see in what terms Rougier presented the aim of the Walter Lippmann Colloquium. In a typed letter dated July 1938 that was sent to the main invitees who were approached, the French philosopher described in these terms the doctrinal program of the Colloquium: “The friends of Walter Lippmann, on the occasion of his stay in Paris and the translation of his book *The Good Society* published under the title *La cité libre* at the Librairie de Médecis publishing house, have decided to hold a small and closed colloquium, to discuss the key theses of this work, with regard to the decline of liberalism and the conditions for returning to a renovated liberal order, distinct from Manchesterian laissez-faire.” The invitation further specified that “this colloquium will have as practical goal to establish a program of studies with a view to organizing an international congress in 1939 on the same subjects.” Finally, the list of the principal invited participants was already displayed: “This invitation has been sent to MM. Baudin, Casillero [that is to say Castillejo-Ed.], Detoeuf, L. Einaudi, Hayek, Huizinga, Kittredge, Lavergne, Lippmann, Marlio, Mercier, Ludwig von Mises, Nitti, Ortega y Gasset, Rappard, Ricci, Rist, Robbins, Röpke, Rougier, Rueff, Truchy, Marcel van Zeeland.”³⁵

The search for a “renovated” liberalism marking a break with “Manchesterian” liberalism would also be at the center of the public presentation of the Walter Lippmann Colloquium, published on August 30, 1938 in the newspaper *Le Temps*, a then-highly influential newspaper of moderate republicanism. The specific historical context of the Colloquium can be gleaned from the first page of the newspaper, wholly focused on the Czechoslovakian question and the military threat of Nazi Germany. At the end of the newspaper, an anonymous announcement of the Walter Lippmann Colloquium—probably drawn up by Louis Rougier, under the title “*On nous communique*”—mentions, therefore, in order to establish

the aspiration of this event, a gathering of economists, sociologists and philosophers, French and foreign, to discuss the key ideas of *The Good Society*. This was summarized as follows: “In this work, as we know, Walter Lippmann establishes that the ills of our time stem from two mistaken ideas: the fallacious opposition between socialism and fascism, which are actually two varieties of the totalitarian State and economic planning; and the identification, no less wrong, of liberalism with the Manchesterian theory of laissez-faire, laissez-passer. Mr. Walter Lippmann shows how the liberal economy, based on private property, free competition and the pricing mechanism, is not only the result of a natural order, but also of a legal framework, created by the legislator, that one has to continuously adapt to the ever-changing circumstances of economic technique based on the division of labor.”³⁶ In this framework, the project for a collective revision of liberalism arises, both on the intellectual and the organizational level, not under the name of “neo-liberalism”—the word does not appear here either—but under the term “positive liberalism”: “This strictly private colloquium, will have for objective to organize an international bureau of inquiry with the aim of systematically studying the problems, both theoretical and practical, that a return to or the maintenance of a positive liberalism presents, prerequisite for any civilization, because [it is] the only system capable of safeguarding individual values, creators of all progress.”³⁷

Even if there were quite a few Frenchmen in attendance, Colloquium attendees hailed from a variety of professional backgrounds and countries. It is important to emphasize this, because the memory of the Lippmann Colloquium has generally retained only certain names, those that would subsequently acquire fame or notoriety. From the viewpoint of a contextual history (which is our own view), it is desirable to not have an excessively restrictive view of the players then in attendance. At the end of this introduction, the reader will find a sort of prosopography describing each member of the Lippmann Colloquium, as well as a list of the various invitees who were unable to attend. First, let us emphasize the broader sociological, intellectual and national patterns of interest. Economists were the most numerous among attendees, including the Frenchmen Louis Baudin, Jacques Rueff, Bernard Lavergne, André Piatier, Étienne Mantoux, Robert Marjolin; the Germans Wilhelm Röpke and Alexander Rüstow, leading members of the Austrian School Ludwig von Mises and Friedrich Hayek, supported partly by Michael Heilperin, and other more heterodox economists such as John Bell Condliffe, educated in the United Kingdom. Philosophers included,

besides Rougier, Raymond Aron—who was already turning toward sociology—and Michael Polanyi. Social scientists included Bruce Hopper and Alfred Schütz, whose intellectual concerns intersected with those of the “philosophers”. Civil servants included the Frenchman Roger Auboin and the Belgian Marcel van Zeeland (not to be confused with his brother, Paul van Zeeland, the Belgian statesman, but who Rougier had invited a little bit as the “spokesman” of the latter, to whom he was close intellectually).

The Colloquium also included successful businessmen, leading industrialists and technocrats (Marcel Bourgeois, Auguste Detoeuf, Louis Marlio, Ernest Mercier), a Spanish jurist (José Castillejo), and of course a journalist (Walter Lippmann).³⁸ Thus, although many Colloquium participants were French, this meeting had a strong international contingent consisting of Austrians, Germans, Americans (Hopper, Lippmann)—but not a single American economist, be it from “Chicago” or elsewhere—a Belgian (van Zeeland), a Spaniard (Castillejo), a New Zealander then teaching economics at the London School of Economics, or LSE (Condliffe), and a Hungarian (Polanyi) then in exile in England. Many others were exiles—Röpke, who had refused to bow to the Nazi regime, came from the Graduate Institute in Geneva (the *Institut Universitaire des Hautes Études Internationales*, HEI) and from Istanbul, like his friend Rüstow; Mises had been forced to flee Vienna and anti-Semitism, and his apartment had been emptied by German security forces during the Anschluss; and Schütz had likewise fled National Socialism and anti-Semitism.

In addition to a direct historical contextualization, an analysis of the Lippmann Colloquium should also recall the sociology of academic and activist networks and that of institutions. Several of the participants had known one another for a long time through certain institutions: there were several old members of Mises’ seminar at Vienna (for example, Hayek and Schütz); two figures of the LSE (Hayek again, who taught there alongside Lionel Robbins, he himself a former participant of the Vienna seminar, and also the economist Condliffe); Frenchmen who were more or less regular participants in the “X-Mines” group of Polytechnicians (Detoeuf, Rueff, etc.); researchers who worked at the École Normale Supérieure alongside Célestin Bouglé at the *Centre de documentation sociale* (Aron and Marjolin); and several associated with the International Committee on Intellectual Cooperation (like Castillejo), the premises where the Lippmann Colloquium was held.

Another important institution is the Geneva Graduate Institute. It would be wrong to describe this institutional setting as the cradle of liberalism (for instance, Hans Kelsen, who was far from holding a staunch

classical liberal outlook, taught there for some time), but it is there that Röpke taught and regularly interacted with Mises, and it is also there that Rougier lectured on economic “mystiques” and developed his neo-liberal ideas. The Geneva Graduate Institute was also the place where Hayek himself delivered lectures (largely forgotten today) published in 1937 on “monetary nationalism”.³⁹ It is also at this institution that the liberal and anti-Fascist thinker Guglielmo Ferrero taught from 1932 onward, after Rougier had helped him to get out of Mussolini’s Italy. Admired by Rougier, but also by Röpke who was a close friend, Ferrero died of a heart attack in 1942 above Vevey, in Mont Pèlerin—where Röpke and Hayek would found the Mont Pèlerin Society five years later.

The Geneva Institute was led by Paul Mantoux, the father of Étienne (who took part in the Colloquium), along with William Rappard, absent from the Colloquium, despite being invited, but who would later on be highly active in the birth of the Mont Pèlerin Society. The Lippmann Colloquium, therefore, did not start from nothing, but its historical role remains important due to its federative and especially its doctrinal ambition.

One word should also be said about several intellectual protagonists who mattered to Rougier, and of whom several had been invited. They are emblematic of the orientation of the Colloquium, even if their presence would have given a more cultural and social turn to the Colloquium. The most important are perhaps Ortega y Gasset, Johan Huizinga, Lionel Robbins, Francesco Saverio Nitti, and Luigi Einaudi. The names of Ortega y Gasset and Huizinga can perhaps be associated together: both the Spanish philosopher and the Dutch historian reviewed, in the 1930s, the serious civilizational crisis of their time.

Distressed by the rise of fascism and Nazism, the noted medievalist Huizinga had already warned of the dangers of a period marked by a mixture of irrationalism and the worship of technology. As for Gasset, in his famous book, quickly translated into multiple languages, *The Revolt of the Masses*—a phrase that Rougier liked to take up, including at the Colloquium—he had warned of the dangers of the age of the masses and pleaded for a profound renovation of liberalism, so that this doctrine take into consideration the social demands that totalitarian regimes had pretended to answer illusorily and dangerously. More social, less “Manchesterian”, liberalism should nevertheless not, according to the Spanish philosopher, degenerate into dirigisme and bureaucracy. These two authors, Huizinga and Ortega y Gasset, who were thus not economists

but thinkers listened to in the context of the crisis of modern civilization, were of primary importance to Rougier and, perhaps, even more so for Wilhelm Röpke who would often cite them.

For his part, Lionel Robbins, then a Professor at the LSE, had published a striking book in 1937—and mentioned by Rougier at the opening of the Colloquium—titled *Economic Planning and International Order* (London, Macmillan) that would be followed in 1939 by *The Economic Causes of the War*. Close at the time to Mises and especially to Hayek, Robbins rejected the notion, in *Economic Planning and International Order* (1937), that under economic liberalism there was “no economic planning” whereas under Marxist and other centrally planned systems there was “economic planning”. To the contrary, Robbins argued, economic liberalism *does* consist of economic planning, and is not anarchical. But the economic “planning” that takes place under economic liberalism is of an entirely different nature, Robbins argued, than the centralized economic planning in effect in countries such as the Soviet Union.⁴⁰ Robbins argued that “neither property nor contract are in any sense natural”, but rather “essentially the creation of law”.⁴¹ Robbins emphasized in effect that liberalism had to renovate itself or recover its true sense in understanding that the competitive market should be organized by rules under the supervision of public authorities. He emphasized also that liberalism had to recognize the need for an important public intervention, beyond even the functioning of the market, notably for the provision of costly infrastructure. But, he added, John Maynard Keynes was wrong to believe, toward *The End of Laissez-Faire*, that all these requirements were new: Adam Smith had understood it.⁴² It is nevertheless true that Smith’s successors had sometimes fallen into the dangerous dogmatism of an anti-interventionist liberalism, he added. Rougier admired this study of Robbins that had been rapidly translated into French at the Editions Médicis and which converged according to him with the general understanding of Lippmann as well as his own.

One should also mention the Italian Francesco Saverio Nitti, a forgotten but important reference in the context of the crisis of liberalism: former Italian Prime Minister,⁴³ observer and critic of totalitarianism (whether fascist and Nazi or communist) defender of liberal democracy, Nitti expressed in several essays in the 1930s concerns over the rise of these anti-liberal regimes that invoked “the masses”. And in response, Nitti pleaded for a renewal of liberalism that should, according to him, acknowledge the part of truth in socialism: a sort of liberal and socialist

synthesis—but primarily liberal—had been proposed by Nitti who went much further than Rougier wished, and which could only displease liberals such as Mises. Nonetheless, Rougier attached great importance to Nitti, and at the time of Rougier’s campaign in 1937–1938 for “neo-liberalism”, he had been supported by the Italian during a meeting of the influential French association “L’union pour la vérité”. Finally, one should mention, on the Italian side—indicative of the importance accorded to the fascist threat—Luigi Einaudi, great defender of economic liberalism (“*liberismo*” in Italian) who was already in touch with Hayek, and who would become after the war president of the Italian republic. It’s also worth noting that Robbins as well as Nitti and Einaudi were supporters of European federalism, like several French neo-liberals, and like Hayek during this time.^{44,45}

In this way, one already sees three themes emerge from the Walter Lippmann Colloquium through these invitees: the threat of totalitarian systems that were supported by the masses, the threat of war combined with the economic policies of autarky, and finally the need to more or less revise liberalism in response to the revolt of the masses.

The aim of Colloquium participants was to ensure the survival of economic and political liberalism, and participants voiced grave concern as to whether political liberalism would be able survive at all. Colloquium participants devoted attention to the existential crisis of liberalism as a political and economic system. Therefore, the Colloquium’s *raison d’être* was not to form a concerted opposition to, for example, Keynes’s General theory, although some participants—Hayek, Rueff and Mantoux for example, and already Röpke to a degree—did indeed oppose Keynesian theories. Yet Keynes was not discussed at the Colloquium, and it is known that several of the Colloquium’s members—Lippmann, who was a personal friend of Keynes, and who defended his contribution including in *The Good Society*, but also Marlio, Aron, Marjolin, Condliffe, and even Polanyi—held the author of the *General Theory* in high esteem. Rather, Colloquium participants focused their efforts on analyzing the crisis of liberalism, on defending economic and political liberalism broadly speaking and on making possible its renewal and survival in the face of severe headwinds. Colloquium participants were quite unanimous in their rejection of central economic planning, even if many nuances existed on this subject: the positions of Aron and Mises, for example, were very far apart from each other generally speaking. Colloquium participants also agreed that central economic planning was not only economically inefficient, but also entailed the loss of individual and political freedom: there

was thus an important political, and perhaps even a moral component to their discussions, not merely considerations of economic efficiency. Their concern consisted also of knowing how liberal democracies would be capable of coping with war, the imminence of which was already clear in all their minds.

THE AMBITION TO “REVISE” LIBERALISM IN LIPPMANN’S WAKE

Several members of the Colloquium, in the wake of Lippmann, were of the view that liberalism could only survive if it was significantly revised. The difficulty consisted of determining precisely in which sense this was to be done. In his book, Lippmann argues that viewing economic liberalism as a doctrine of State abstentionism was to misunderstand the nature of what *laissez-faire* economic liberalism really was historically. Lippmann argues that at its inception, *laissez-faire* was “a revolutionary political idea...to destroy the entrenched resistance of the vested interests which opposed the industrial revolution”.⁴⁶ *Laissez-faire* had initially been an ideology of sharp action, “formulated for the purpose of destroying laws, institutions, and customs that had to be destroyed if the new mode of production was to prevail...the necessary destructive doctrine of a revolutionary movement” (Lippmann 1937, 185). Once these tasks had been accomplished, near the middle of the nineteenth century or so, liberalism fell into a type of passivity (Lippmann 1937, 185). As a consequence, “liberalism had become a philosophy of neglect and refusal to proceed with social adaptation” (208). Lippmann urges liberals to reclaim an active role in intervening in appropriate ways to help society cope with economic change and adaptation, and to renounce their passivity in economic matters, including confronting questions such as social destitution. Lippmann rejects the notion that “the debacle of liberalism” was due to “some kind of inescapable historic necessity” and placed responsibility instead on “the errors of liberals”, liberals who did not act to intervene when the human dislocations produced by economic liberalism became too heavy to bear. Such liberals “had gone up a dogmatic blind alley” and liberalism had become “frozen” (203).

In the 1930s, political and economic liberalism were beleaguered systems that suffered, as we have seen, from a profound credibility crisis. Lippmann himself, in 1933, was so distraught by the economic crisis

unfolding in the United States he told President Franklin Roosevelt that he might have no choice but to assume “dictatorial powers”.⁴⁷ Where political liberalism was sometimes synonymous with parliamentary dysfunction and a lack of action that did not inspire broad public confidence, economic liberalism was often viewed as the ideology of “laissez-souffrir” (let suffer) through the absence of State intervention and a lack of social solidarity. To a number of citizens living in countries governed by dysfunctional parliamentary democracy (including Belgium and France), either fascism or communism seemed to offer a promising alternative to the perceived ills of liberalism of the era.⁴⁸ But Lippmann, after having seen in the New Deal a promising solution—quite close to his own interventionist recommendations, inspired by Keynes, in *The Method of Freedom* (1934)—ultimately came to be critical of Roosevelt’s New Deal for what he saw as its excessive statism and the threat it posed to the rule of law, in the case of Roosevelt’s proposal to modify the Supreme Court’s size (Steel 1980, 319). Lippmann rejected both fascism and communism on the grounds—inspired directly by Mises and Hayek—that the central economic planning on which such systems relied implied, in addition to economic inefficiency, a near-complete loss of individual freedom: “Not only is it impossible for the people to control the [central economic] plan, but, what is more, the planners must control the people. They must be despots who tolerate no effective challenge to their authority. Therefore civilian planning is compelled to presuppose that somehow the despots who climb to power will be benevolent—that is to say, will know and desire the supreme good of their subjects” (Lippmann 1937, 105). Lippmann argues that in such systems, “the emergency never ends”, involving concentration camps, a secret police, and censorship (55), and of course war. In his book, he proceeds to use the arguments of Mises to criticize the prospects of economic calculation in centrally planned economies.

At the same time, however, Lippmann’s book contained an “agenda of liberalism” that contained measures such as “drastic inheritance and steeply graduated income taxes” (Lippmann 1937, 227), the financing of public works projects, and so on, with favorable references to Keynes. This project was more socially audacious than the compromise reached, nearly a year later, at the Lippmann Colloquium, which was nevertheless inspired by this project carried by Lippmann under an “Agenda of Liberalism”. Lippmann even stated his aspiration for a much less unequal American society, all while strongly distinguishing his project from socialism or dirigisme. The goal was to render society less unequal

to the extent that individuals would no longer benefit from privileges or rent-seeking positions in the market. And if one had to help the poorest and those excluded from the labor market, it was so that they would train and participate in a constantly changing market.

Another original aspect of Lippmann’s book pertained to the concept of property. Although Lippmann was favorably disposed toward private property, he deemed that private property was not a natural right, but rather in a sense created by the law. Inspired by American “institutional” theory—Lippmann had read and thought about the work of John R. Commons—the author of *The Good Society* wished to break, there too, with a certain dogmatism of classical liberalism. In criticizing William Blackstone, a jurist emblematic of the eighteenth century, Lippmann refuted the idea of an absolute right to property several times. For Lippmann, the right to property can be regulated by the law and evolve, not only according to the needs of economic progress but also according to the needs of social justice. This point was all the more important to him as the dogmatic attachment to an absolute right to property favored by the “old” liberals had nurtured, as a response, a strong popular desire for collectivism and dirigisme. Lippmann, however, who in this matter relied again on Mises and Hayek, deemed these “solutions” (collectivism and dirigisme) to be inefficient and dangerous. His concern remained the threat of a worldwide war that in his analysis risked being brought about by dirigisme and protectionism—the policies of economic autarky—particularly in their totalitarian forms.

At the 1938 Colloquium, there was an even stronger fear, as we have seen, that liberalism could be extinguished by the steady rise of totalitarian States. Lippmann cast a note of somber realism when he argued in his introductory lecture to the Colloquium that “the fact that dominates the contemporary world, is that all the nations are obliged to prepare themselves for a war that can break out at any moment”. This context helps explain the interest that Lippmann’s book generated, in which Rougier found an echo of his own writings. In the important book *Les mystiques économiques*,⁴⁹ Rougier also intended to revise liberalism, albeit with a less prominent social component than Lippmann, even if he explained that renovated liberalism could justify the protection of certain threatened sectors deemed vital to the nation, such as small-scale farming. With his own concepts, Rougier, like Lippmann, fought various “mystiques” or dogmatic rhetoric pertaining to the economy, in denouncing not only Fascist corporatism and Soviet planning, but also the “old” liberalism of the French

Physiocrat school of economics, with its erroneous belief in a natural order, and the “Manchesterian” English school.

Against these visions, Rougier advocated for what he calls “constructor liberalism” (“*libéralisme constructeur*”): one should no longer believe in the “*Codes de la nature*” of the Physiocrat economists, that is to say in a natural and spontaneous market order, but actively promote a “*code de la route*”, a set of rules of the road that, in tracking technological and other changes in capitalism, oversee and stimulate the market. This “code” should not direct the choices of the actors themselves, but instead organize the framework of their freely chosen interactions. Rougier argued that the “old” liberalism of laissez-faire was erroneous, dangerous, and in crisis: that liberalism did not understand the dangers of monopoly and the social sufferings it can produce. If Rougier, therefore, availed himself of the Austrian school—Hayek and particularly Mises—in his critique of socialism, collectivism, and “dirigisme”, in his defense of the market pricing mechanism and his support for the market, he intended to go further than they did when it came to the active transformation of liberalism.⁵⁰ Rougier was not only an academic philosopher, he was also an intellectual who wished to shift public opinion and transform France’s economic policy in a liberal direction, in the wake of the—in his view—catastrophic experience of the Front populaire in 1936. He thus also waged a political and ideological campaign, seeking to influence the leaders of the press. This was especially the case for the center-left, anti-communist newspaper *La République*. Its leaders were initially highly favorable to the “planning” advocated by neo-socialists such as Marcel Déat. But in several articles in the spring of 1938, the editors of *La République* showed, little by little, convergences with Rougier’s ideas,⁵¹ and Rougier considered them to be his primary public support in what he would call in 1939 his “offensive of neo-liberalism”.⁵² But his ambition was also international. Such was the project that underlay the Walter Lippmann Colloquium.

All this allows us to better understand the genesis of “neo-liberalism”. At its founding in August 1938, *neo-liberalism* consisted of support for two main arguments. First, Colloquium participants supported economic and political liberalism, and opposed centrally directed systems (first and foremost communism, National Socialism, and fascism, but also the more democratic forms that derived inspiration, according to them, from these systems). Second, participants supported the *market pricing mechanism* as an allocator of resources in all areas of the economy. The Colloquium also

reveals that as a set of ideas, neo-liberalism in 1938 was opposed neither to State intervention in the economy nor—for a participant such as Rüstow, but also for Rougier—to a “strong state” that would ensure the survival of the market order.⁵³ The partial convergences between the Germans and Rougier in this aspect are interesting. Rüstow, who went into exile after the Nazis took power, lamented the weak State that was conquered by private interests and “transformed into a totalitarian state with a single party”.

Though such a strong critique of “pluralism” was not widely shared among all the participants (this critique being delivered primarily by Rüstow and Röpke on the basis of the German experience), there was little principled “anti-statism” or principled abstentionism to be found at the Colloquium. A number of Frenchmen were also favorable to a certain degree of State intervention—Aron and Marjolin, formerly holding moderate socialist views, somewhat disappointed by the Front populaire, were Keynesians. The supporters of “laissez-faire” such as the Austrian Mises were decidedly in the minority. Even Mises was not “anti-statist” in the rigorous sense of the term. His anti-statism was economic. In his *Liberalismus* (1927), Mises argues—and he still did in 1938—that the State is indispensable, that “the state is the apparatus of compulsion and coercion” (57), that “liberalism is not anarchism, nor has it anything whatsoever to do with anarchism” (37) and that “anarchism misunderstands the real nature of man” (36). For Mises, the State has an indispensable role to play in protecting private property and in guaranteeing the possibility of social cooperation. But its sphere of economic intervention had to be strictly limited: Mises was, in the economic realm, a strong critic of any “third way” and what he called “interventionism”. His radical anti-interventionism was not shared by most members of the Colloquium.

Like Mises, a majority of participants supported the *market pricing mechanism*. But their general vision was different, more interventionist. In contrast to “Manchesterian” or Spencerian laissez-faire capitalism, the founders of neo-liberalism sought to understand *which types of State intervention* were compatible with the functioning of the *market pricing mechanism*. Many participants—not all, but many—explicitly critiqued “Manchesterian liberalism” and “laissez-faire” orthodoxy, on both sociological and economic grounds. The highest possible standard of living through constant economic adjustment by the market pricing mechanism and support of individual rights against arbitrary authority: these were what one might term old-fashioned tenets of liberalism that, at the

Colloquium, were complemented by a shared commitment to certain types of State intervention—in the fields of social insurance, public services, education, scientific research, and military investments for purposes of national defense—to make possible the effective functioning of the market economy and successfully respond to the social, spiritual, and sociological demands—in terms of social integration—of the masses attracted to anti-liberal regimes.

Whatever “homogeneity” existed in early neo-liberal political thought is contained in the above. This leaves room for wide heterogeneity. The heterogeneity was significant not only because participants hailed from different national backgrounds and professions but also because specific topics invited widely different analyses. Colloquium participants disagreed on issues such as the causes of monopolies, the nature of democratic political systems, the interaction between democracy and the market economy, the social integration of individuals in advanced capitalism, mass psychology and the political role of the working class, how to cope with unemployment resulting from rapid technological change, the rural exodus, the effects of unemployment benefits, and the dynamics of national defense spending.

The Colloquium sheds light on the original arguments made by early neo-liberal theorists. It indicates that in one important sense—support for the market pricing mechanism in all areas of the economy—early neo-liberalism was both economically and socially highly transformative. Early neo-liberalism was explicitly, at least in many cases, anti-reactionary and opposed, in general, inherited systems of rank, class, and privilege. This does not mean early neo-liberalism did not contain certain conservative, elitist, and even authoritarian leanings.⁵⁴ This was true of Baudin, among the French—he admired Salazar’s regime. As for Mises, he had advised and supported the Austrian Chancellor Dollfuss, who had crushed the labor movement. Yet even in *Liberalismus*, where Mises lauds fascism for protecting Europe from the Bolshevik threat, he criticizes fascism’s “complete faith in the decisive power of violence” and insisted “there is... only one idea that can be effectively opposed to socialism, viz., that of liberalism” (Mises 50). Thus, Mises’ provisional defense of fascism belonged to a strategy of political realism that did not express a profound adherence. Mises was horrified by French and European anti-Semitism, of which he himself would be a victim.

With regard to Rougier, who has been accused of collusion with Pétain’s regime by supporting the idea of a secret agreement in 1940

between Pétain and Churchill, and though he had displayed since the 1920s a great wariness with regard to egalitarian ideals of democracy—an inclination one would find again in his drift in the 1960s and 1970s toward the extreme right and the "Nouvelle droite"—his approach in 1938 sought to be located in the realm of pluralist, liberal, and democratic modernity, in the sense of parliamentary and constitutional democracy. Rougier's targets of conceptual and personal opposition then were fascism, National Socialism, and communism. For Rougier, as for Mises, a close link exists between economic and political freedom, between the freedom of the consumer and the freedom of a voter in a democratic system. Moreover, many other members of the Lippmann Colloquium, such as Aron, Laverigne, Polanyi, or Lippmann himself, were supporters of liberal democracy without the least hesitation.

On these foundations, for numerous members of the Colloquium, the constant adjustments required in a society governed by the market pricing mechanism were deemed to significantly temper, and able to partially undo, the effects of inherited privilege, even if there again certain particular distinctions remained among members of the Colloquium. Röpke, who admired the Catholic sociologist Le Play, worried about inheritance reforms that threatened to dissolve families and farm properties, whereas Rüstow favored confiscatory inheritance taxes in order to eliminate undue family privileges from one generation to the next.

In another respect—support for *political* liberalism—early neo-liberalism was considerably less transformative. There was a deep concern among Colloquium participants that the masses misunderstood crucial economic principles and lived in a state of psychological perplexity conducive to illiberal alternatives. Several participants, particularly Castillejo, Rougier, Marjolin, and Baudin voiced strong concerns over "majoritarian" democracy, or "socialistic" democracy. The concern extended beyond the emotional, irrational conduct of the masses in the 1930s in various countries, to a certain understanding of the term "democracy".

Many participants revealed considerable unease with "socialistic democracy" [*la démocratie socialisante*] and emphasized the need to place limits on the democratic process to prevent the creation of a "socialistic democracy" unmoored from a predictable rule of law. A number of participants, particularly Castillejo, Rougier, and Baudin, distinguished between, in Rougier's words "liberal democracy"—committed to checks on arbitrary centralized authority and traditional liberal individual rights—on the one hand and unbridled "socialistic democracy" on the other, in which the

majority can do whatever it wishes and believes itself justified in doing as it wishes. The latter form of democracy, it was argued, would doom political *and* economic liberalism.

To remedy this, no participant at the Colloquium proposed to restrict the franchise or supplant democracy, though some silent participants (such as Mercier) were inclined to support a technocratic system of governance. Instead, the consensus seemed to be to foster, as much as possible, moral and technical education among the general public. Nevertheless, on this matter, as on others, there were non-negligible differences that ought to be acknowledged: hence Marlio, in the 1930s, insisted more strongly than Rougier on the sovereignty of the people—limited nevertheless by the rule of law and a system of checks and balances—and the ideals of the French Revolution: liberty, equality, and fraternity. Marlio’s “social liberalism” was of a different kind than the “constructor liberalism” of Rougier, whose premises were more hostile to democracy. There, too, certain visions of “neo-liberalism” were more or less conservative, liberal or progressive, which was not to prevent convergences.⁵⁵

What Is New About “Neo-Liberalism”?

The stakes of the Lippmann Colloquium were simultaneously philosophical, cultural, political, programmatic, but also ideological, because at issue was knowing how to convince the masses to return to the liberalism from which they had distanced themselves by reason of its “laissez-faire” and of its indifferences to social sufferings. Several participants were concerned that liberalism’s name was permanently tainted in the public eye through its association with Manchesterian, economic liberalism of the nineteenth-century nightwatchman’s state. Participants directed their ire mainly at the assumption that *State abstentionism* and *a lack of State intervention in the economy* are innately good.⁵⁶ The public perception was largely that “liberalism” as a theory rejected State interventionism and embraced State abstentionism, a perception that had contributed to a deplorable public reputation among the public of *all of* liberalism, not just its Manchesterian variant. Several participants—notably Lippmann and Rougier, but also Marlio, Marjolin and many others—distanced themselves from these views explicitly by rejecting both State abstentionism and by jettisoning any *a priori* critiques of State intervention.

Liberalism, Mantoux argued, could not be confined to the ideas of nineteenth-century libertarian theorists Charles Dunoyer and Herbert

Spencer. The fact that liberalism, in the public mind, was more or less synonymous with the ideas of Spencer and Dunoyer—theorists opposed to almost any active State intervention in economic affairs—had made a significant number of citizens willing to renounce liberalism in full, which for Mantoux and Marjolin was a tragedy. The reform-oriented businessman Detoeuf—who, before his conversion to Lippmann’s ideas in 1936 had declared the “death of liberalism” in front of the group “X-Crise” at the École Polytechnique without seeming to be saddened by it—voiced concern that the term “liberalism” had become the equivalent of Manchesterism, even though participants “are not all Manchesterians”. The difference, for Detoeuf, was that “the idea of justice coexists among some of us with the idea of freedom and differentiates them from Manchesterian liberals”. Detoeuf argued that the doctrine of “laissez-faire, laissez-passer” had wrongfully become a “sacrosanct” dogma, and that it should be untethered from the concept of “liberalism”.

Like Mantoux and Detoeuf, Condcliffe—whose ideas were more progressive and who engaged in strong disagreements with Mises—distinguished between laissez-faire capitalism and liberalism, and argued against defining the latter only by the former. Condcliffe went so far as to argue that the nineteenth-century capitalist system was “in more than one respect, anti-liberal”. Whereas for Condcliffe, “laissez-faire is a negative philosophy”, the task for neo-liberals is “to complement it by positive measures, both economic and political”. This argument merits additional attention. In his book *The Good Society*, Lippmann had made quite a different argument from the one made by Condcliffe, namely that laissez-faire was first “a revolutionary political idea...to destroy the entrenched resistance of the vested interests which opposed the industrial revolution”.⁵⁷ Because laissez-faire at its inception was “destructive” and “revolutionary” in wiping away old obstacles (in Lippmann’s analysis), it was “incapable of guiding the public policy of states once the old order had been overthrown” (Lippmann 1937, 185) Lippmann, however, also defended the need to move past “laissez-faire”.

Rougier argued for a similar understanding of what laissez-faire originally meant. Laissez-faire economic liberalism was originally “a doctrine of action”, and consisted of “wanting to overthrow the regime of corporations and internal tariffs”. It was only *later*, “through a real error that it became a theory of social conformism and the abstention of the State” that ought to be rejected by Colloquium participants. Thus, Lippmann and Rougier argued that identifying “laissez-faire” with State abstentionism

or State passivity in the economic realm was a misunderstanding of what “laissez-faire” originally entailed. Acts of State intervention to bring about economic liberalism were in fact in keeping with the *original meaning of laissez-faire*. Rougier lauded Lippmann for demonstrating that “the liberal regime is not only the result of a natural spontaneous order as declared, in the eighteenth century, numerous authors of the Codes of Nature; but that it is also the result of a legal order that presupposes a legal interventionism of the State”.

This fails to encompass the full diversity of neo-liberal thought at the Colloquium. Marjolin, for instance—who, it should be remembered, from this time on favorably introduced the ideas of Keynes in France, and who had been a socialist not long before—made it clear that for him the main goals for the new movement were realizing the maximum of social justice and defending France against foreign aggressions, particularly from Germany. The second objective, Marjolin emphasized, took precedence over all others. More broadly, one can note that for the neo-liberals gathered at the Colloquium, State intervention in the economy is not at odds with liberalism rightly understood, provided the intervention does not violate the market pricing mechanism. Several participants argued State intervention was necessary *to make possible the continued functioning of the market order*. In this theory, the market pricing mechanism is not an institution that exists prior to the State to which the State ought to defer. Instead, the State had to establish pro-actively the institutions that would produce and sustain a properly working market pricing mechanism. Rougier emphasized that State interventionism “in and of itself is neither good nor bad”, but rather “beneficial or harmful depending on the use that one makes of it”. State intervention is beneficial if it “aims to re-establish free competition and the spirit of enterprise”, or “if it results in un-jamming the blocked components of economic equilibrium”. State intervention is “loathsome,” however, if it substitutes a central economic plan for the market pricing mechanism. Similarly, Castillejo argued “intervention of the State cannot be designated as either good or bad *a priori*”.

Of the Colloquium participants, at least three—Mises, Rueff, and Hayek (whose contributions to the Colloquium were not recorded in full)—could be said to be more or less nostalgic for the pre-1914 era of economic liberalism, but of these three only one—von Mises—longed specifically for the *State abstentionism* and *non-intervention* in the economic sphere that marked the pre-1914 order.⁵⁸ Already in 1927 in *Liberalismus*, Mises commended classical liberalism. Certainly, he supported the idea of modernizing

liberalism, and he rejected a dogmatic anti-statism—liberalism, he insisted, was not anarchism—but he praised Bastiat and the Manchester school, and regretted that classical liberalism was being condemned under the name “Manchesterism”. On the other hand, he criticized John Stuart Mill, accusing him of being “the great advocate of socialism”. All indications are that, as of 1938, Mises stayed true to these positions which were not those of Lippmann or of numerous other members of the Colloquium who precisely rejected the “Manchesterian” school.

Unlike Rueff and Mises, however, the other Colloquium participants—Rüstow most explicitly, but also Baudin, Mantoux, Detoeuf—explicitly *condemned* pre-1914 economic liberalism. Rüstow emphasized the difference between those at the Colloquium who were critical of “traditional” liberalism and those who were generally sympathetic to “traditional” pre-1914 economic liberalism. Placing himself squarely in the former camp, Rüstow argued he sought “the responsibility for the decline of liberalism in liberalism itself; and, therefore, we seek the solution in a fundamental renewal of liberalism”. In part, Rüstow made this argument because “if the unwavering representatives of old liberalism were right, practical prospects would be almost hopeless”. If adherents of Bolshevism, fascism or National Socialism, Rüstow asked with irony, “have not listened to Moses and the prophets—Adam Smith and Ricardo—how will they believe Mr. von Mises?” What was needed, as far as Rüstow was concerned, was a genuine change in the *substance* of economic liberalism. In his private correspondence with Röpke, he referred to Mises as a “paleo-liberal”, the opposite in his opinion of “neo-liberalism” rightly understood.

What’s in a Name?

Lippmann himself argued it was essential to find a good name for a renewed liberalism.⁵⁹ What to name this new movement to make it explicitly distinct from “traditional” liberalism? Some members, Rougier and Rüstow among them, would eventually “win” the terminological battle: the name “neo-liberalism” was adopted as a title for a renewed, invigorated economic and political liberalism.

Yet alternative terminological proposals proffered at the Colloquium are revealing. Rougier first spoke of “constructor liberalism” (“libéralisme constructeur”) and of “positive liberalism” (“libéralisme positif”). During the Colloquium, Baudin, shaped by corporatist and conservative Catholic thought, argued that members of the new movement would be viewed “as

disciples of Bastiat, even of Yves Guyot or of Molinari". All the more reason, for Baudin, to reject any new name containing the term "liberalism". Baudin wished to place the movement "in the shadow of Adam Smith, [Jean-Baptiste] Say, and John Stuart Mill" by calling the new movement "individualism". Baudin's objection to using the term "liberalism" extended beyond bad public relations surrounding the term "liberalism". Baudin argued that liberalism "pushed to an extreme becomes anarchism". The new movement being founded at the Colloquium, Baudin insisted, "must seek to save this individual from the threatening grip of the mass" and accordingly the new movement had to distance itself from the term "liberalism" and embrace the term "individualism". In this period, Baudin wrote much about individualism and was interested in aristocratic elitism—he was a careful reader of Nietzsche—and opposed to the mediocrity of the masses. Rougier responded that "individualism" comes too close to anarchism because "the anarchist invokes the sacred nature of the individual to harm the liberties of other individuals". Such a person, obsessively focused on himself and his own interests, "is not a true liberal". A true liberal is concerned with the rights of *all individuals* living in a political community. In fact, in his writings on the subject Rougier was initially more a supporter of the formula of "constructor liberalism" (*libéralisme constructeur*)⁶⁰ but he would soon embrace the term "neo-liberalism", which he likely deemed to be a more unifying term.

There were other revealing nomenclatural proposals. Rueff proffered the term "left liberalism" (*libéralisme de gauche*) instead and noted he was "hostile to the word 'neo'" because, if the aim was to restore liberalism, "we have to say it...in the most provocative form". Throughout his life, Rueff emphasized the need to convince the masses of liberalism's benefits to their well-being and social progress. Marlio—who like Baudin had been influenced by a Catholic background but was much closer to progressive ideals—argued against Rueff's proposal to name the movement "left liberalism", because it would risk coloring the movement politically, and because neither the political left nor the political right at the time were particularly supportive of the market pricing mechanism as the determining allocator of economic resources. Marlio suggested using "positive liberalism", "social liberalism," or Rüstow's preferred term, "neo-liberalism". With regard to Röpke, he was never fond of the term "neo-liberalism"—he would state this publicly—but adopted it in the end. From the Austrian side, Mises seldom used the term; the same was true of Hayek, who would only rarely use the term, mostly in

reference to the German liberals. Before exploring the matters that underlay these differences, it is useful to explore several other key debates that shed light on the Colloquium's profound heterogeneity.

"THE MAN OF PASSION"

The rationally calculating individual is a mainstay of many economic models, and has in recent decades also shaped the fields of political science and even sociology in important respects.⁶¹ Highly rational is not, however, how early neo-liberal thinkers understood man to be. Some of the Colloquium participants argued explicitly against the notion of the cerebrally rationally calculating *homo economicus*, or rather insisted on the need to bypass the descriptive limits of this paradigm, and argued in favor of taking seriously of the man of passion, the man of flesh, the man of emotions. Instead of denying this man's existence, he had to be grappled with. Doing so was a condition for the survival of a renovated liberalism.

Rougier argued that we should seek "to uncover the man of flesh, of passion, and of narrow mind who suffers from a herd instinct, follows mystical beliefs and is never able to calculate the implications of his actions". Only by taking this man into account, Rougier argued, could neo-liberals reckon with mass enthusiasm for illiberal political regimes and central economic planning. Only by taking the man of passion into account could neo-liberals hope to fight illiberal movements. Though man could be swayed by passion, several Colloquium participants reasoned that man was susceptible to reasoned argument and debate, particularly economic education. Other Colloquium participants argued that man—and the masses—were so disoriented by the economic crises of the 1930s that they had lost their sense of reason altogether, with grave consequences for political and economic liberalism. Rougier cited Wladimir Drabovitch's work *The Fragility of Freedom and the Seduction of Dictatorships*. Drabovitch had been a student of Ivan Pavlov and cites an experiment in which Pavlov subjected animals to a diet of under-nourishment. As a result, the animals "lost their instinct for freedom and became passive". Rougier argued the same has occurred among the masses after World War I as "they lost the instinct of freedom for the quest of security", having become "lifeless, herdlike, and passive" and far from demanding freedom, the masses "have given themselves to [the one] who has promised them a cafeteria and a uniform". "The masses are ready", Rougier argued, "to abandon their freedom in the hands of the one, chief or messiah, who promises them security".

Michael Polanyi, the chemist-philosopher brother of Karl Polanyi,⁶² argued “the mental derangement that threatens our civilization stems from a state of permanent perplexity”, in which society’s frame of mind “becomes more and more prone to violent unrest”. Individuals seek a purpose and are profoundly frustrated by the invisibility of the hand that guides them in a market-based system. The lack of clear directed purpose leaves individuals befuddled and perplexed, in contrast to the clear, purposeful actions demanded of individuals in centrally planned regimes. Unlike liberal regimes, moreover, central regimes seem to be working toward a clear, final goal. As a result, the individual in a market economy “is frustrated in his social sense; he is plunged into perplexity with regard to the scope of his social duties”. Deeply seeking a purpose, and finding it intangible in a liberal economic order, man embraces illiberal movements that promise clear, directed action. Similarly, the Frenchman Marlio argued that the individual who “feels gravely weakened” [*diminué*] is indeed willing to sacrifice wealth for security, but in order to be assured “he must have an assurer that can only be a totalitarian regime acting through constraint or through persuasion”. There too, the position of Mises differed. Certainly, he acknowledged “that the masses have a certain penchant for cruelty, revenge and even sadism” that leaders of totalitarian States have successfully exploited with absolute ruthlessness. Yet whereas several members of the Colloquium, such as Röpke, Rüstow or Marjolin, attributed the causes of this disorientation to the failures of traditional capitalism and liberalism, Mises deemed anti-liberal intellectuals to be heavily responsible. The theme of the “revolt of the masses” against capitalism, taken up by Rougier and others, from the Spanish conservative Ortega y Gasset did not please Mises if it meant that the masses had good reasons to revolt against historical capitalism, in his eyes a highly beneficial system.⁶³

RÖPKE AND RÜSTOW’S SOCIOLOGICAL CRITIQUE

As noted, the majority of participants at the Colloquium rejected pre-1914 abstentionist economic liberalism, but two participants—Röpke and Rüstow—engaged in a specific sociological and conservative critique of traditional economic liberalism. As a result of political pressures in Germany, at the time the Colloquium was held both men lived in exile: Rüstow in Turkey, Röpke in Switzerland, after having matured his thinking in Istanbul alongside his German colleague, to whom he remained close. The two friends reflected deeply on the causes of the economic and political crises

of the 1920s and 1930s and would later be known as influential “ordo-liberals”. Nevertheless, diverging from the members of the Freiburg school—around Walter Eucken—who founded ordo-liberalism in Germany, Rüstow and Röpke, while largely sharing the economic ideas of the Freiburg school, were at least as preoccupied with sociological considerations as with the legal and constitutional considerations that were so dear to the Freiburg theorists of economic constitutionalism.⁶⁴

In preparing for the Colloquium, Rüstow and Röpke had circulated an important paper that emphasized the need to transform the academic discipline of economics, taking into account sociological and philosophical considerations on which the good functioning of the economy depends.⁶⁵ Through their contributions at the Colloquium, they would articulate this viewpoint. Röpke warned fellow Colloquium participants of “the policy of new conjuncture”: “the policy of economic autonomy, the policy of economic nationalism, combined with the planned economy and autarky”. Crucially, Röpke argued “one should not commit the error of accepting the existence of the proletariat in society as a fact”.

The question for neo-liberals is *which* policy measures are best suited to combat this harmful sociological trend through a pro-active approach, rather than a “laissez-faire” approach. In subsequent writings, Röpke further developed this argument and engaged in a sociological critique of *proletarianization* and *Vermassung*, referring to a society of massive scales where any reasonable human dimension was lost and man felt profoundly alienated.⁶⁶ It is social and spiritual integration—more so than income redistribution—that is the crucial concern of this critique of “old” liberalism. In the same sense, Rüstow argued that man does not live by economic bread alone: man’s satisfaction derives from other sources. He insisted that man needs *unity* far more than he needs *freedom*. Sociologically, according to Rüstow, the market “has become a realm of atomization, from which any vital integration [*integration vitale*] is absent”. Citizens seek compensation for this lack of vital integration but can find no compensation, and in despair throw themselves even “on the dirtiest puddles” to quench their thirst. Crucially, neither wage increases nor curbs on working hours could compensate for this lack of sociological integration. What was at stake was man’s vital integration, a rooted life connected to the land and to nature. Rüstow argued that although the market theory of liberalism was correct in the main, liberalism had fallen short in its sociological notions, neglecting “the central role of vital irrational needs and, specifically, that of the integration of man”. Rüstow critiqued the atomistic

liberal economy as follows: “That which makes for the specific essence of the market economy, is that at its core all irrational, spontaneous, human relations between interested parties are eliminated—contrary to that which took place in fraternal organizations, based on religious and ethical foundations, of the corporative economy of the Middle Ages. As a result, the market has become a realm of atomization, from which any vital integration [*intégration vitale*] is absent. The functioning of the economic system does not suffer damage from it, rather it depends on it.” It is this “vital integration” that so many individuals have lost as a result of the trends of pre-1914 economic liberalism. As a result of these forces, many individuals had become alienated and proletarianized. Rüstow raised the issue at the Colloquium, he said, so that the new movement could take it into account in its formulation of a strategy to preserve liberalism against a rising illiberal tide.

Significantly, Rüstow’s arguments led to one of the most heated debates at the Colloquium. Mises strongly disagreed with the notion that the peasants of old were somehow happier or more “vitality integrated” than modern industrial workers, and argued “Mr. Rüstow conforms to the romantic outlook when he argues that the farmer is more satisfied than the worker.”⁶⁷ Rüstow responded that “the polemical allusion of Mr. von Mises toward the rural exodus does not affect me”. With the exception of von Mises’ sharp disagreement, the sociological critique of liberalism’s inadequate integration of individuals found neither much assent nor much dissent among fellow participants. Baudin provided a somewhat supportive response, but cautioned Rüstow that “the need for unity does not require uniformity, the controversy between Plato and Aristotle is still current!” One infers that other participants of the Colloquium, such as Aron and Marjolin, remained far removed from the “romantic” concerns about capitalism formulated by the Germans.⁶⁸ Significantly, Aron was to maintain almost no link afterward with Rüstow and Röpke, whereas he was a Germanist and had lived in Germany. He would prefer to maintain a dialogue with other liberals such as Karl Popper.

PLURALISM AND THE STATE

The “sociological critique” of traditional economic liberalism that Röpke and Rüstow presented at the Colloquium is distinct from the critique of *pluralism* they also presented. Rüstow argued that under classical economic liberalism, the laws of the market came to be considered “as natural and

divine laws, upon which the same dignity and even the same universality as those of mathematics were conferred". From such a perspective, all one had to do was "remove artificial obstacles that the silliness and the stupidity of men had put up against their beneficial functioning". Rüstow argued instead that the market economy "rests...on very specific institutional conditions, created and maintained voluntarily by men", and that such a system can only function and endure "if a strong and independent state ensures the precise observance of these conditions". The renewed, renovated liberalism Rüstow wished to see was *not* a liberalism of State abstentionism but rather a liberalism where a strong, independent State—properly understood—stood above particularistic, potentially destabilizing interest groups and ensured the conditions that were necessary for the market order to last.⁶⁹ Where the State lacks adequate strength, it "can no longer withstand the combined assaults of the interest groups" (Rüstow [1932] 1982, 185). Under pluralism, "the State is being pulled apart by greedy self-seekers". Each of these greedy self-seekers "tears out a piece of the State's power for himself and exploits it for his own purposes... based on the premise that every interest group is entitled to help itself to a slice of the cake" (Rüstow 1982 [1932], 186). Under such circumstances, neither political nor economic liberalism could survive. One finds here the concerns that Rüstow had formulated even before his exile from Germany with regard to the "cartelization" of the economy. For him, however, the "pluralism"—a category imported in part from England along with guild socialism—constituted a known risk that had contributed to the destruction of the economy and the political system of his country, paving the way for National Socialism.⁷⁰ The other Colloquium participants largely shared Rüstow's critique of *a priori* State abstentionism but not necessarily his critique of pluralism—at least, there is no evidence in the text that other participants (with the exception of Röpke) shared Rüstow's more fundamental critique of pluralism. For his part, Aron always defended "pluralism". It is clear that this matter is also linked to the context of the crisis of the Weimar Republic (see Kennedy 2004).⁷¹ It plays a highly important role in the long history of German sociological liberalism and ordo-liberalism.

THE RESPONSIBILITIES OF THE STATE

Unlike many of his Colloquium colleagues, Rueff argued the main problem lay with elites and their understanding of economics, and not with the masses. The solution to poor economic policies, in Rueff's view, lay in economic

enlightenment, education, persuasion, and generally enlightened leadership. Rueff maintained “most political men believe they do their duty and [believe they] improve the well-being of their population by resorting to measures that lead to results precisely opposite to the ones they have in mind”. Rueff expressed cautious optimism about policymaking in the future, arguing that the day when political men “will see in full light of day the consequences of their interventions, the political problem will be, if not resolved, nearly so”. Castillejo disagreed with Rueff’s assessment, arguing that “if a high degree of competence and political power unite themselves in the same persons, the result will be neither liberalism nor democracy: it will be a dictatorship”. Castillejo, profoundly affected by Spain’s political tragedy, argued it was thanks to the “stupidity of cabinet ministers” that “democracy is possible”.

The contrasting views of participants on the nature of the State became clear in the context of the discussion on monopolies. Von Mises, like Rueff, argued that cartels and monopolies were not the result of economic liberalism *itself* but rather the result of State privileges, State protection, and the rise of smaller national markets following the decline of pre-1914 international economic integration. Those who would become known as “ordo-liberals”—Rüstow, Röpke, even if they are perhaps best considered, as we said, theorists of “sociological liberalism”—disagreed and advocated a vigilant anti-trust role on the part of the State. Rüstow argued “it is not competition that kills competition”, but “rather the intellectual and moral weakness of the State that, at first ignorant of and negligent in its duties as policeman of the market, lets competition degenerate, then lets its rights be abused by robber knights [*chevaliers pillards*] to deal the fatal blow to this degenerate competition”. Only a strong State—rightly understood—he insisted, could stand above warring, self-interested private interests, and guarantee the continued functioning of the market order. This would involve, there too, closely monitoring cartelization and the formation of monopolies and intervening decisively to ensure the continued functioning of market competition.

On this crucial topic for liberals, Rueff disagreed in part with Rüstow and Röpke—despite convergences with the latter that would increase, both personally and intellectually, over the following decades—and argued that it is much less the *weakness* of the State than the *ignorance* of the State that made it give in to demands by private interests that are couched in terms of the “general interest” but are in fact inimical to it. If the State’s functionaries were to properly understand economic principles, and were

to understand what the public interest demands, Rueff predicted, the prevalence of harmful economic policies would be greatly reduced. These various contributions demonstrate that the Colloquium was not a meeting place of uncritical minds—and above all not the site of a full consensus—when it came to economic liberalism.

THE KEY QUESTION OF EARLY NEO-LIBERAL POLITICAL THOUGHT

Although Rueff lost the nomenclatural debate to Rüstow and others—given that Rueff's call for using the term “left liberalism” found no support—the French economist and high-ranking civil servant successfully provided the nascent movement with a guiding question. In so doing, Rueff gave a specific focus to neo-liberalism and helped to provide some coherence to a highly diverse, heterogeneous intellectual movement. In introducing Rueff's session on the social question at the Colloquium, Rougier had asked whether liberalism was “capable of fulfilling its social tasks” and whether or not the liberal system was “cruel”. Rougier also asked which forms of intervention were compatible with the market pricing mechanism. Rueff's enduring significance in the formation of neo-liberal thought stems from a question he asked in the course of responding to a critical comment by John Condliffe pertaining to Rueff's analysis of English unemployment insurance.⁷² Rueff responded to Condliffe as follows: “It is clear that the State has to task itself with teaching and that, in order to do so, it has to levy taxes. The real problem is that of the limit of intervention in the liberal State. What are the forms [*modalités*] of intervention compatible with the pricing mechanism?” Rueff's clear articulation of this question served to focus the attention of Colloquium participants, and Walter Lippmann enthusiastically embraced what he termed “the central thesis of Mr. Rueff”, and stated this explicitly in his concluding remarks to the Colloquium: “Economic liberalism recognizes as a fundamental premise that only the pricing mechanism functioning in free markets allows for obtaining an organization of production likely to make the best use of the means of production and to lead to the maximum satisfaction of the wants of men, such as they are truly felt and not such that a central authority pretends to establish them in their name....*The system laid out in this way is the central thesis of Mr. Rueff on the [market] pricing mechanism as principal regulator*” [emphases added].

In his concluding remarks, Lippmann embraced State intervention in a number of domains—including social protection, at the heart of the “agenda of liberalism” of *The Good Society*—so long as the market pricing mechanism is respected. Responding to Lippmann, Rueff concluded he agreed “fully with the text of Mr. Lippmann” and considered it “a left-liberal policy [*libérale de gauche*], because it tends to give to the most deprived classes the greatest degree of well-being possible”. This is also what, from his viewpoint, “left liberalism” meant: a liberalism favorable to the well-being of the masses.

Participants agreed with Walter Lippmann that the organization of an economy on the basis of the market pricing mechanism “does not exclude the allocation of a part of the national income, diverted from individual consumption, towards collective ends”. “A liberal State”, Lippmann insisted, “can and must levy through taxation a share of the national income and dedicate the resulting amount to the collective financing of national defense, social insurance, social services, education, and scientific research”. And these choices, he insisted, had to be subject to transparent democratic deliberation.

Such was the fractious consensus of early neo-liberal theorists, even if, as Baudin recognized later, the consensus was not easy to find. Near the end of the Colloquium, Condliffe, whose position could be described as highly reformist, asked if the final conclusions were not too linked to the old prior liberalism. Rüstow, who engaged in heated debates with Mises and emphasized that the Colloquium was divided between those who wished to profoundly transform liberalism and those who in fact wished to maintain it, suggested that disagreements persisted, for example, on the meaning of “State” and “society”. The consensus aimed not to deepen various divergences, and Rougier stated that the “schism” he feared would take place at the Colloquium had transformed into “harmony”.

The marked divergences that appeared at the Colloquium would persist in the following decades between different currents of thought. Indeed, several members of the Colloquium did not afterward embrace the term “neo-liberalism”; not Aron, who as a refugee in London in the 1940s defended in the newspaper *La France Libre* the Beveridge Plan that Mises and Hayek opposed; not precisely—at the opposite end—Hayek, who nevertheless drew some important lessons from this chapter, and still less Mises, little inclined toward a “revision” of classical liberalism. But Rougier, Baudin, Marlio, and Rüstow claimed the concept, and beyond the name itself, these “neo-liberal” ideas spread, particularly in Germany, but also in

France and Italy—through Luigi Einaudi and Carlo Antoni, both close to Röpke—whereas the United Kingdom and the United States witnessed at the end of the 1970s and the early 1980s a “neo-liberal” revolution that does not correspond entirely to the ideas formulated in the 1930s.⁷³ It is true that the young Milton Friedman, after the war, briefly took up the term “neo-liberalism”,⁷⁴ partly in the 1930s sense of the term, but in the 1960s and 1970s he would move toward a defense of classical liberalism quite far removed from the “revised liberalism” envisioned by the Walter Lippmann Colloquium, and chose not to invoke the term. More broadly, those who are referred to as “neo-liberals” often displayed a “free market” transformative radicalism quite far removed from the “third ways” discussed in the 1930s.

Nonetheless, something of significance was underway during the Lippmann Colloquium, extending to what might be called the sociology of intellectual networks. In the wake of the Colloquium, the International Center of Studies for the Renovation of Liberalism (CIERL) was created, although its existence would only be ephemeral because of the war.⁷⁵ And in 1947, the Mont Pèlerin Society was founded, with important differences, however: a loss of influence of the French, a tremendous rise in power of the Americans—particularly of “Chicago”, with the young Milton Friedman whose influence would grow from the 1960s onward—and leadership provided by Röpke and especially Hayek.⁷⁶

CONCLUSION: THE CHALLENGES OF INTERPRETATION

The significance of the Lippmann Colloquium, its intellectual legacy, and its theoretical meaning are all subject to ongoing debate. From its inception, the Lippmann Colloquium has given rise to contrasting interpretations. Some were struck by a limited renewal of liberalism (Marculesco 1943). Others saw a link to Catholic corporatism (Bouvier Ajam 1943), while others noted the tensions between “social” liberals and more traditional liberals (Pirou 1939). Still others perceived the widespread emergence of Keynesian tendencies at the Colloquium (Fabre Luce 1946; Cros 1950; Lambert 1963), sparking responses from several former participants (Baudin 1953; Röpke 1953), who were to the contrary increasingly hostile—as was the Mont Pèlerin Society unanimously—to Keynes and to Keynesianism.

This translation of the Lippmann Colloquium will permit each reader to form his own opinion. Our aim is not to settle here which interpretation is the best. Even if absolute “neutrality” is a myth, our goal here is to

furnish elements for research and discussion, in adding among other things to this introduction and translation a sort of “prosopography” of the different members of the Colloquium, both from a sociological and intellectual point of view. In concluding, we would however like to touch on several methodological considerations. It seems to us that in interpreting the Lippmann Colloquium, there are several risks. The first risk lies in viewing the Lippmann Colloquium through a “teleological” lens, as a “seed” that germinated over a course of several decades to bloom almost linearly into either the Reagan/Thatcher programs or the “Washington consensus” of the IMF and the World Bank in the 1990s.

Similarly, it is no doubt highly excessive to see in the Lippmann Colloquium, as some have, a foreshadowing of the Davos Forum,⁷⁷ given how much the sociology, the context, and the substance of the ideas differed. On the other hand, it is certainly warranted to note that the Lippmann Colloquium foreshadows, in part, that which would become from 1947 onward the Mont Pèlerin Society, as an international academic organization of “liberals” in the continental sense of the term. As a matter of fact, one will find in the Mont Pèlerin Society key figures that have already been discussed, such as Hayek, Röpke, Rüstow, Rueff, and Baudin. Other participants, such as Castillejo, Condliffe, and Marjolin, definitely disappeared, however. With regard to Rougier, the accusations of sympathizing with the Vichy regime in the 1940s made him *persona non grata* for a period of almost ten years’. Above all, if Lippmann did indeed become a member of the Society in 1947, he never participated in it and eventually disappeared from the group, while supporting the economic policies of the Johnson and Kennedy administrations that members of the Mont Pèlerin Society generally strongly opposed. With regard to the philosophical and economic orientation of the Mont Pèlerin Society, it was not identical to that of the Lippmann Colloquium. First, because Hayek left his own imprint on the Society’s general orientation, and second because the Americans from Chicago, orbiting around Milton Friedman, would form an increasingly powerful presence. In the 1960s, the Society was briefly led by Bruno Leoni, an Italian student of the Austrian school and a friend of both Hayek and Friedman who professed positions far closer to the libertarianism of Murray Rothbard than the “social liberalism” of Marlio. “Third way” tendencies were to disappear in the Mont Pèlerin Society, partly as a result of the influence of the Foundation for Economic Education (FEE) and, on the English side, the Institute of Economic Affairs (IEA).

More plausible to some, the thesis of a direct link from the Lippmann Colloquium to the European common market⁷⁸ should at least be nuanced: if several supporters of a federal Europe of market-based competition were indeed present at the Colloquium—such as Rueff who, like Rougier and Maurice Allais, spoke favorably of the European common market as an “institutional market”—other members of the Colloquium—such as Bernard Lavergne⁷⁹—were among the harshest critics of European integration and other attendees would subsequently become either supporters of a federal Europe or “Euroskeptics” (such as Aron). Even the German Röpke, sometimes presented as one of the fathers of the Europe of market-based competition—even if the influence of *ordo-liberalism* on certain aspects of European integration, in particular competition policy, is undeniable—would be wary of the 1957 Treaty of Rome, even displaying explicit hostility toward it. Toward the end of his life, although he had been a supporter of European federalism—on the condition that this federalism be liberal⁸⁰—Röpke went as far as to defend the idea of a “Europe of nations” so favored by Charles De Gaulle. It is worth noting that Röpke influenced the hostility of Ludwig Erhard, who wished to see a more liberal Europe but was wary of the Treaty of Rome, in his eyes full of protectionist and even *dirigiste* threats. It was Chancellor Adenauer who would push through German approval of the Treaty of Rome, partly for political reasons. On the subject of the Treaty of Rome, Röpke therefore held a very different position than did Marjolin—one of the Treaty’s architects, but also one of the defenders, alongside Jean Monnet, of French economic planning that Röpke strongly disliked—and he likewise differed from Rueff and Rougier, both of whom supported the Treaty of Rome. In the 1960s, Marjolin, who was a Keynesian liberal fond of French economic planning, proposed for Europe a model of more flexible planning, or “*programmation*”, which was strongly opposed by Röpke and by many German *ordo-liberals*. The French former members of the Lippmann Colloquium were divided: Marjolin was much more favorably inclined toward this type of planning than Rueff or Rougier were.⁸¹

The second risk lies in viewing the Lippmann Colloquium as a rather simple “anti-Keynesian” gathering of “orthodox” liberals that foreshadowed the fight against Keynesianism in which the Mont Pèlerin Society would engage.⁸² Two attendees, Marjolin and Aron, stated in later years that they were significantly influenced by Keynes’s ideas, and Aron later elaborated specifically on his distance from Rueff in this regard.⁸³ Another member of the Colloquium, Marlio, in one of his books written around

the time of the Colloquium, presented Keynes as one of the most “evolved” liberals; Michael Polanyi—in spite of the fact that he had a working relationship with Hayek from this period onward consisting of mutual influence and esteem—had received the *General Theory* with enthusiasm as early as 1936 and had even disseminated a film to defend Keynesian ideas; and Lippmann himself paid tribute to his friend Keynes in *The Good Society*. It is *also* true, however, that the Lippmann Colloquium included key opponents of Keynes and of Keynesianism who had sometimes expressed themselves in strong terms against him and would do so again in the future: Mises, Hayek, Mantoux, Rueff, Röpke (especially, for the last of these, after the 1940s, but already toward the end of the 1930s). There was, then, no consensus on the Keynesian revolution at the Colloquium—whereas there *would* be a consensus within the Mont Pèlerin Society.

The third risk lies in viewing the Colloquium as a gathering where one pre-determined ideological line held sway, where pliant intellectuals gathered to sanction an ideological line that had been previously determined. Instead, the floor of the Colloquium was an open one and witnessed significant intellectual, philosophical, and policy disagreements between participants, evidence of a profound heterogeneity, even if it is true that the final consensus is far from being insignificant and indicates a clear direction toward a renewed liberalism. The fourth risk—linked to the prior one—lies in viewing the Colloquium as a gathering of ideologues committed to simply doing the bidding of “big capital” and its interests. What the Colloquium participants wished for were market prices and political liberalism, whereas in the 1930s, a number of industrialists favored protectionism and various corporatist measures instead. It is true that the Lippmann Colloquium was also carried by individuals hailing from an executive business background: for example, Marcel Bourgeois, a right-wing businessman, supported the Médicis publishing house that published “neo-liberal” authors. But business executives were still very much in the minority at the Colloquium in 1938, and they did not necessarily share the same ideas: Auguste Detoef, for example, defended ideas in the realm of policy that were relatively progressive at the time—he had even invited philosopher Simone Weil to examine and describe working conditions in his factories—and his general profile was not similar to that of American business executives opposed to the New Deal or who in England prepared from the 1930s on a counter-offensive against opposing ideas.⁸⁴

Finally, there is a risk in viewing the Lippmann Colloquium as a gathering focused only on “economics” when in fact numerous participants

(Castillejo, Aron, Polanyi, Rougier, to name but a few) were concerned about the very survival of *political liberalism* and its associated individual rights in the face of rising illiberal ideologies around the world. Probably all the members of the Colloquium associated political liberalism with economic liberalism. Many were concerned with defending liberal democracy, in its political, legal, economic, cultural, and spiritual dimensions. It is true, nevertheless, that all did not have the same vision of democracy, and that some had a more conservative—and even authoritarian—conception of it than others. Some, albeit in a small minority, even had sympathy for authoritarian regimes, such as Baudin for Portugal's Salazar. But, as the introductory remarks to the Colloquium by Rougier and Lippmann reveal, their main source of anxiety was the death of liberal democracies. If they were indeed concerned about the excesses of popular sovereignty, of whom leaders claimed to incarnate the will, in large majority they stayed supportive of liberal parliamentary democracy. It is also why some of the most recent interpretations of the Lippmann Colloquium as the home of a radically “anti-democratic” offensive—as authors who have perhaps too quickly claimed Michel Foucault have done⁸⁵—seem to us mistaken, indicative of too teleological a vision. One can certainly emphasize that these neo-liberals were “elitist”, which is true, but that was not new in liberalism, and it was also largely the case, at the time, of those favoring progressive technocracies. Similarly, the analysis of authors laying claim to Foucault who see in the Walter Lippmann Colloquium the theorizing of an anti-democratic nightmare of a “neo-liberal society” of a war of all against all, chasing only after maximum performance, seems to us profoundly de-contextualized. As we have seen, the great fear of a majority of the members of the Lippmann Colloquium was a permanent divide between liberalism and the masses, with its consequences: totalitarianism, the policies of economic autarky, and war. It was also necessary to rediscover, as noted above, the man of the flesh and of passion, and not only *homo economicus*, in order to convince him. Whatever one may think of it, this does not correspond to the representation of the Lippmann Colloquium as a dogmatic apologia for “individuals-as-enterprises”. One can interpret the Lippmann Colloquium in many ways, but certain interpretations are less supported than others.

Taking into account the historical and discursive context is therefore essential, even if this does not exhaust the meaning of the event, rich in its potential and its extensions. The Colloquium captured liberal thinkers at a moment of significant vulnerability for liberalism. Because of its historical context, the Colloquium and its substantive debates are not only

important for analyzing *economic* liberalism but also for liberalism in general. This context of the 1930s—the eve of World War II that so haunted most of the participants of the Lippmann Colloquium—was not the same as the context of the late 1940s, when the first meeting of the Mont Pèlerin Society was held in 1947, nor was it the same as that of the late 1970s and early 1980s when the Thatcher and Reagan policy programs began. Nevertheless, as we have already suggested, the necessary methodological precautions to avoid too teleological a vision of course do not preclude finding in the Lippmann Colloquium expectations of what would take place subsequently in the history of neo-liberalism: it is also in thinking of this Colloquium that Hayek, with Röpke, founded the Mont Pèlerin Society, and it is well-known that German liberalism—particularly with regard to European integration, *ordo-liberalism*, more so than the “sociological liberalism” dear to Röpke and Rüstow—has influenced the history of Germany and of Europe to the present. Like many historical events, the Lippmann Colloquium should both be placed in its own time, with the specific problems of its era—that are not necessarily our own—and viewed in a more long-term perspective in the historical trajectory of neo-liberalism of which it forms most assuredly a crucial step, even if it does not summarize it. Each reader can be the judge of it.⁸⁶

In 1957, during a Colloquium held in Ostend, Belgium, organized by the *Centre Hymans*—a think tank of the Belgian Liberal Party—one would find Rougier, Rueff, and Allais. The first juxtaposed his “neo-liberalism” with the “paleo-liberalism” of Mises. The second would once again defend a renovated liberalism, emphasizing that, since the time the Lippmann Colloquium was held, social demands have increased, and that liberals should take this into account, but in the framework of a free market and in respecting the market pricing mechanism. The third, Allais, proposed to update the ideas of the Lippmann Colloquium in emphasizing that the 1938 meeting had not defined the fundamental rights of the individual clearly enough, or the need for a pluralist system of checks and balances in order to make liberal democracy thrive.⁸⁷ At the time, the positions of Allais in favor of a “third way” (called “*planisme concurrentiel*”) reconciling true liberalism and true socialism—but on a fundamentally liberal foundation—were not shared by a majority within the Mont Pèlerin Society, and they would be less and less so. But what united these three heirs of the “neo-liberalism” of the 1930s was that liberalism had to renovate itself in responding to its legitimacy crisis and its effectiveness crisis.

More than seven decades after it was held, the Walter Lippmann Colloquium gives the reader much to think about. The questions explored by neo-liberals—the nature of the market order, its institutional prerequisites, the nature of the State’s responsibilities, how to deal with the consequences of rapid technological change, the gap between the people and elites—are questions that occupy our attention today. In analyzing the Lippmann Colloquium and its enduring significance, it is useful to embrace what one might term a “contextual” approach. The questions that so occupied early neo-liberal theorists, even if they are linked to a precise context that is important to recall, remain at the same time highly relevant many decades after they were discussed at the Walter Lippmann Colloquium. At a time when academic and political discussions increasingly focus on international neo-liberalism, German *ordo-liberalism*, and on the crisis of neo-liberalism, a return to the origins of the so-called neo-liberal doctrine is necessary more than ever. In 2017, an English-language resuscitation of this long-neglected primary source and its substantive debates is overdue.

NOTES

1. For an overview of the theoretical and historical debates involved, see Mirowski and Plehwe (Eds.) (2009), Audier (2008, revised edition 2012), Audier (2012b), Audier (2015), Steger and Roy (2010).
2. Denord (2001) and Audier (2012b).
3. See Denord (2009, 45–51), Jackson (2010, 131), Audier (2012a, 208–219), Burgin (2012, 67–78), Hülsmann (2007, 734–739), Jones (2012, 6, 31, 74).
4. Bilger (1964, 153).
5. The anti-Keynesian bent Cockett attributes to the Colloquium has been the subject of recent argument. Some participants—such as Aron and Polanyi—were in fact favorably disposed toward Keynes and sympathetic to some of his economic theories. See: Cockett (1994, 12). For a critique on this point, see Audier (2008).
6. Hartwell (1995).
7. See: Pirou (1939), Ibid. (1941), Barrère (1958).
8. Friedrich (1955).
9. For an overview of the background of and substantive issues pertaining to the *ordo-liberal* school, see Vanberg (2001), Goldschmidt (2004), Goldschmidt and Berndt (2005).
10. Lepage (1978), Ibid. (1983).

11. Foucault ([1979] 2008).
12. Chevènement (1979).
13. Becker (1976).
14. This refers to a group of Chileans who studied economics under Milton Friedman at the University of Chicago and subsequently returned to Chile, where they would influence economic policy. Many were part of an exchange program between the Catholic University and the University of Chicago.
15. For an empirical analysis of “neo-liberal” policies in the United States, the United Kingdom, France, and Germany, see Prasad (2006).
16. See, for example, Bourdieu (1998).
17. Harvey (2005, 3).
18. Steger and Roy (2010, 11).
19. Brown (2006), Halimi (2004), Klein (2007), Howard and King (2008), Plehwe et al. (2007).
20. In the context of neo-liberalism’s critics, Thatcher and Schmidt (2013, 422) refer to neo-liberalism’s alleged “ideational ‘slipperiness,’ its broken (and unfulfillable) promises, its ‘sleights of hand’ in debate, the cynical support of powerful interests, and the bias in choices due to its institutional embeddedness” (see also: Amadae 2015; Kotz 2015; Mirowski 2013; Stiglitz 2008).
21. Jackson (2010) and Bonefeld (2012).
22. Foucault commented that the transcript of the Colloquium “is not easy to find”, having been “strangely lost by the Bibliothèque Nationale”. Foucault advised his students that the text could be obtained at the Musée Social instead (Foucault 1979, 132).
23. “Neo-positivism” was a known term in the French academic world. See, for example Lalande (1935, 223). For a more complete genealogy of the term “neo-liberalism” in France, see Audier (2012b).
24. Marion (2004) and Pont and Padovani (2006).
25. Rougier (1936a, b).
26. On the general context of the crisis of the 1930s, see James (2003, 104–146). On Germany’s extraordinary crisis, see Kennedy (2004, 119–153). On France, see Nord (2010, 25–87).
27. Flandin (1933).
28. Pirou (1934).
29. See: Déat (1937a), Ibid. (1937b).
30. Audier (2012a, 211–213).
31. Rougier (1961).
32. A further sign of this tragic context is that Lippmann’s book was translated in France by Georges Blumberg, one of the earliest critics of Nazi Germany and its anti-Semitism. Published at the Librarie Médicis publishing house,

- the book also contained a preface written by the conservative writer André Maurois. See Blumberg (1934, 6–13), Parrain and Blumberg (1933, 234–262).
33. Rougier knew that their political and philosophical dispositions often differed markedly.
 34. Forcey (1961) and Kloppenberg (1986).
 35. Letter sent by Louis Rougier to, among other, Luigi Einaudi, July 12, 1938, held in the Archivio Storico Fondazione Luigi Einaudi, dossier Rougier. In another of his invitation letters, this time hand-written, to the liberal economist and anti-fascist Italian Luigi Einaudi, the philosopher reports more precisely on his research and requests: “I know many of your friends and that is what leads me to ask you to attend the Lippmann Colloquium, at the International Committee on Intellectual Cooperation, from August 26th to August 30th, in Paris. From London Condliffe, Plant, Hayek and Robbins will come; from Geneva, Mises and Röpke. I hope to have Ricci and Bresciani-Turroni if I can find out his address in Berlin” (Rougier 1938b).
 36. Anon. 1938 (*Le Temps*).
 37. Ibid.
 38. Brief biographies of each participant are provided in the next chapter. These categories overlap, of course—Rueff was not *just* an economist but also a civil servant, for example—but they are broadly useful.
 39. Hayek ([1937] 1971).
 40. Robbins (1937, 1–10).
 41. Robbins (1937, 225–228).
 42. Robbins (1937, 225–226, fn 1, 231).
 43. The President of the Council of Ministers (*Presidente del Consiglio*).
 44. On the importance of Ortega y Gasset and Francesco Saverio Nitti in the reinvention of liberalism in the 1930s, see Visone (2015).
 45. Hayek (1939 [1948]).
 46. Lippmann ([1937] 2005, 185).
 47. Steel (1980).
 48. On the general crisis of the 1930s, see James (2003, 104–146), on France’s crisis in the 1930s, see Nord (2010, 25–87), and on Germany’s extraordinary crisis, see Kennedy (2004).
 49. Published in 1938, this book was based on lectures delivered at the Institut des Hautes Etudes Internationales in Geneva (Rougier 1938a).
 50. Such was the subject of his reviews of Mises and Lippmann, and of his calls for a “return” to liberalism (Rougier 1938c, d).
 51. Roche (1938). See also Dominique (1938). (At first a supporter of “planning”, Pierre Dominique had also published a positive account of the ideas of Rougier in *Les Nouvelles littéraires*, May 7th 1938.)

52. Rougier (1939).
53. Jackson (2010, 134).
54. The critique of ordo-liberalism as authoritarian liberalism close to the ideas of Carl Schmitt and reactionary thought has been developed in Ptak (2004), Butterwegge et al. (2008). To the contrary, the argument that ordo-liberalism was fundamentally an anti-Nazi movement has been developed by Bilger (1964). Ptak's ideas have been assessed by supporters of ordo-liberalism: see Goldschmidt and Wohlgemuth (2008a, 5).
55. Audier (2016).
56. Those who support laissez-faire liberalism, such as Gustave de Molinari and Herbert Spencer in the nineteenth century, considered the *absence* of State intervention in the economy to be salutary. A number of thinkers in the nineteenth century also embraced a Darwinian worldview.
57. Lippmann (1937, 185).
58. Denord (2009, 49) lists Baudin as a supporter of "traditional" economic liberalism, but the transcript of the Colloquium and Baudin's writings on corporative economics reveals considerable ambiguity in this regard, and we do not include him in this group.
59. This was not without controversy: von Mises cautioned that re-naming liberalism might be interpreted as a concession to totalitarian pressures.
60. At a time where socialists seeking to revise their doctrine, as Marjolin had done, had called for a "constructive revolution" (*"révolution constructive"*).
61. See Lichbach (2003, 3–4). In the field of economics, the "rational-choice" paradigm has come under increased scrutiny in recent years (see Kahneman 2011).
62. In spite of profound differences with regard to socialism and liberalism, the Polany brothers shared a sense of the extreme seriousness of the crisis of capitalism in the 1930s.
63. In Mises' view, what he referred to as the "anti-capitalistic" mentality was due to socialist and interventionist lies, not to intrinsic defects of capitalism.
64. Goldschmidt and Wohlgemuth (2008b) provide an overview of the foundational texts of the Freiburg school's theorists.
65. Rüstow, Alexander and Röpke, Wilhelm: "A note on the urgent necessity of the re-orientation of social science". This paper was circulated among a select group and was not published.
66. The term *Vermassung* can be inadequately translated as "massification" or "depersonalization". It refers to a society of massive scales, massive corporations, massive cities, and a massive State, where any reasonable "human" dimension is lost.
67. In texts such as *Liberalismus*, Mises rejected the romantic critiques of industrial modernity, whereas Rüstow and Röpke were far more receptive to such critiques.

68. Many Frenchmen at the Colloquium—from Detoeuf to Marlio—were trained as technocratic engineers or industrialists that entailed a distance from the conservative and romantic critique of the two Germans. The only real French sociologist who attended the Colloquium, Aron, was far from the conservative sociology of Le Play that Röpke admired. Aron defended “industrial society”, albeit with some nuances, but without the concerns of Röpke and Rüstow.
69. The term “strong state” here refers not to a “large” State in terms of quantitative volume, but instead to a State possessing the capacity to take necessary action, in a decisive manner, to maintain order. In 1932 already, Rüstow had embraced—like the jurist Carl Schmitt and others—the term *pluralism* to describe “the role of the State as a suitable prey” (Rüstow [1932] 1982, 186). The term “pluralism” was at the core of discussions about the model of the Weimar Republic (see Kennedy 2004, 119–152).
70. One has sometimes reproached this critique of “pluralism” and this apology of a “strong state” of Carl Schmitt’s conception—Schmitt was cited by both Eucken and Rüstow during the crisis of the Weimar Republic—but Rüstow was always a defender of liberalism who rejected National Socialism. Röpke supported a decentralized State, and one of the authors he admired the most, Johan Huizinga, was one of the earliest critics of Schmitt’s legal and political vision. See Huizinga (1935).
71. On the constitutional, legal, and economic crises of the Weimar Republic and their conceptual implications (see Kennedy 2004, 119–153).
72. The critical comment pertained to Rueff’s analysis of English mass unemployment.
73. Even if the ideas of the first Chicago School, those expounded by Henry Calvert Simons in *A Positive Program for Laissez Faire* (1934), corresponded to some extent to those of Lippmann and to those of the German *ordo-liberals*.
74. Friedman (1951).
75. The CIERL was an unusual, if short-lived organization. In his opening lecture, Marlio said he was proud of having chosen the reformist anchor of the “Musée social” to defend his “social liberalism”, concerned with the suffering of the masses. During the ephemeral period of its existence, the CIERL sought to include trade unionists and socialists—particularly anti-communist ones—all while maintaining a liberal agenda, defended by Jacques Rueff among others. At the same time, the CIERL already constituted a network of “neo-liberals,” with international correspondents such as Röpke and Hayek.
76. In 1984, while visiting Paris, Hayek acknowledged in retrospect the importance of the Lippmann Colloquium in seeing in it an organizational anticipation of the Mont Pelerin Society. However, in his previous contributions

spanning decades, Hayek's references to the key role of the Lippmann Colloquium were rare, as though he favored viewing Mont Pèlerin as the real birthplace of liberalism rightly understood. In his speech in Paris in 1984, Hayek did not celebrate "neo-liberalism" but rather "classical liberalism". See the lecture delivered by Hayek in 1984 in Paris (Hayek 1984, 18). In the third volume of *Law, Legislation and Liberty* Hayek criticized "those 'neo-liberals'" for their systematic opposition to "enterprise monopoly". And at a January 23, 1978 conference of the Aktionsgemeinschaft Soziale Marktwirtschaft, while stating his closeness to the Freiburg School, Hayek emphasized the errors of neo-liberals with regard to the question of monopolies. At the conference, Hayek also emphasized that the renovation of liberalism should take place in the framework of classical liberalism, and that this should not be hidden behind the figleaf of "neo-liberalism". Nonetheless, in the 1950s, Hayek did refer positively to "neo-liberalism," but in the context of the Germans, even referring positively to a "new liberalism" ("*neue Liberalismus*") in the context of the works of Lippmann, Rougier, Eucken and himself (Hayek 1959, 591–596). In the same German volume, Mises even referred, exceptionally, to "a real neo-liberal movement" ("*Eine wirklich neuliberale Bewegung*", Mises 1959, 596–603). But these occurrences are rare.

77. This thesis is put forth in Dardot and Laval (2013). The thesis has also been put forth by Serge Halimi, of *Le Monde Diplomatique* (Halimi 2004).
78. This is the thesis of Denord and Schwartz (2009), and of Dardot and Laval (2013).
79. See Lavergne (1957).
80. Gregg (2010, 156).
81. See Canihac (2017).
82. Dixon (1998) defends the thesis that the Lippmann Colloquium was a key moment for anti-Keynesianism.
83. Among the recent studies on the reception of Keynes in France, and on Marjolin's role, see the introduction by Gilles Montigny in the revised edition of Halbwachs 2016 (Montigny 2016). See also Rosanvallon (1989).
84. Moreover, as noted, the CIERL, in the wake of the Lippmann Colloquium had invited representatives of trade unions and socialists, in order to convince men of the left, which would not be the case for the Mont Pèlerin Society. The "social liberalism" of Marlio and Rueff's "left liberalism", beyond their differences, were liberalisms that sought the support of wage earners and the working masses.
85. The argument that the "neo-liberalism" of the Walter Lippmann Colloquium is radically "anti-democratic" was put forth by Dardot and Laval (2013), and Dardot and Laval (2016). This approach—and this reading of Foucault lent from Wendy Brown—has been the subject of debate (see Audier 2012b, 2015).

86. We would like to suggest, however, that there exist descendants more or less faithful to the spirit of the Walter Lippmann Colloquium, and which are to be found mainly in Germany and in France. In Germany, the “social market economy”, in particular its theorization by Alfred Müller-Armack between the end of World War II and the 1960s corresponds quite well to the ambition of the Colloquium. Like the *ordo-liberals*, Müller-Armack wanted to promote a competitive order that would neutralize private powers and produce “prosperity for all”, per the phrase of the Minister of Economics (later Chancellor) Ludwig Erhard.

But Müller-Armack thought also that the “social market economy”, all the while respecting the market pricing mechanism, required economic and social interventions. This tendency would be reinforced when Müller-Armack suggested, in the 1960s, a second phase of the social market, more “social”. In France, the main heirs of the Lippmann Colloquium were French neo-liberals: Louis Marlio, Louis Baudin, Daniel Villey, Jacques Rueff, Louis Rougier, but also Maurice Allais. The last three—Rougier, Rueff, and Allais—maintained links of friendship and mutual esteem. Rueff recognized the need for social interventions in the framework of the market economy based on the market pricing mechanism. With regard to Allais, he defended a type of competitive planning “*planisme concurrentiel*”—and even in the 1940s a “competitive socialism” (“*socialisme concurrentiel*”), more liberal than socialist—claiming the “social liberalism” and “liberal socialism” of Léon Walras (whose works inspired him) but also of Lippmann, Detoeuf, and Rougier. Of course, that does not mean that certain authors, Hayek included, have not also been profoundly influenced, in their own way, by the Lippmann Colloquium.

87. *Travaux du colloque international du libéralisme économique*, Bruxelles, éditions du Centre Paul Hymans, 1957.

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Colloquium Participants

Roger Auboin (1891–1974) was a French economist who was General Manager of the Bank for International Settlements from 1938 to 1958. He wrote several books and articles pertaining to economics and monetary policy, including *Twenty Years of International Cooperation in the Monetary Sphere* (1958) and *Les vraies questions monétaires à l'épreuve des faits* (1973). Auboin pleaded for active international co-operation between countries so as to ensure the effective functioning of the international monetary system.

Like other Frenchmen who attended the Colloquium—such as Raymond Aron and Robert Marjolin—already in 1936 Auboin was quite favorably disposed to the Front populaire, before formulating critiques of its economic policies in an international context. Auboin, a civil servant and financier, was briefly a member of the government of Camille Chautemps, former minister of state of the Front populaire, who succeeded Blum from June 1937 to March 1938. In this new government, of moderate “radical” orientation, led by a man who was certainly not a “market fundamentalist”,¹ Auboin briefly took the helm of the General Secretariat of the Interministerial Committee on the national economy, attached to the Finance Ministry that replaced the Front populaire’s Ministry of the National Economy. In his articles at the time, notably in the pro-European publication *L’Europe nouvelle* edited by Louise Weiss, he defended a “practical liberalism” that corresponds to a form of moderate economic and social interventionism in the framework of a market

economy.² It does not seem that these core convictions had shifted much, if at all, by the time the Lippmann Colloquium was held.

Raymond Aron (1905–1983) was a French philosopher and sociologist who contributed to French public debate for many decades. A liberal, Aron admired Keynes from an early age.³ His article “Remarks on the objectivity of the social sciences” bears witness to his rather Keynesian background.⁴ In his youth, Aron was influenced by moderate liberals such as Élie Halévy, “radical” republicans such as the sociologist Célestin Bouglé, and numerous socialists. Like Emile Durkheim and Bouglé—who was his university mentor—Aron went to Germany in the early 1930s as part of his sociological training, first in Cologne, then in 1931–1933 in Berlin, where he was horrified by the rise of National Socialism. If Aron, as a sociologist, was particularly interested in Wilhelm Dilthey and Max Weber, in his first book, *La sociologie allemande contemporaine* (1935),⁵ he also explored the contributions of Franz Oppenheimer, an early theorist of a “liberal socialism”.⁶

A supporter of the Front populaire who called himself “socialist” at the time of his thesis in 1938, Aron nevertheless criticized the economic policy of the Front populaire (like his friend Marjolin and Roger Auboin) in an article published in the *Revue de Métaphysique et de Morale*.⁷ He later explained that this choice of publication venue—quite on the left side of the spectrum—was driven by a concern of not amplifying the critiques of the Front populaire from the right. During the war, Aron edited the magazine *France Libre* in London until France’s liberation. Contrary to Hayek, Röpke, and other “neo-liberals”, Aron expressed his support for the Beveridge plan of social security, of which he wished to see an equivalent for France. He maintained a connection at the time to Pierre Laroque, the founder of French social security.⁸

In 1945, in the leftist journal *Les Temps Modernes*—which he ran with Jean-Paul Sartre and Maurice Merleau-Ponty—Aron published an article titled “*La chance du socialisme*”, in which he defended the idea of a synthesis between English Labour doctrine and Gaullism. Aron would soon sever his links with the team of the *Temps Modernes*, however, and after the war, Aron’s persistent opposition to the Soviet system isolated him among French intellectuals.⁹ Aron distanced himself from socialism to the point of becoming openly liberal and close to Gaullist and rightist circles. In 1955, Aron was narrowly elected to a Chair in sociology at the Sorbonne—the resistance of his colleagues being due to his activities as a writer for the right-of-center newspaper *Le Figaro*—and in 1970 to the prestigious

Collège de France holding a Chair titled “Sociology of modern civilization”. Among many contributions, Aron acquired renown for his 1955 book *The Opium of the Intellectuals*, in which he criticized intellectuals for their excessive fondness of Marxism and for their worship of “Revolution”. Aron wrote numerous books on sociology, history, and politics and for decades contributed to the newspaper *Le Figaro*—and then *L’Express*—as a public intellectual.

Louis Baudin (1887–1964) taught economics at the University of Dijon from 1923 to 1937, then law at the University of Paris. Baudin’s philosophy was liberal, conservative, elitist and corporatist, and was close to social Catholicism. In the decennia after the Walter Lippmann Colloquium was held, he would often claim the concept of “neo-liberalism” and exercised an influence over Daniel Villey, one of the members of the *Centre international d’Etudes pour la Rénovation du Libéralisme*, then the nebulous neo-liberal group. In his 1937 book *L’utopie Soviétique*, Baudin denounced communism for its tyrannical nature, its lies, and its general failure.¹⁰ Baudin was sympathetic to a form of corporatism, particularly in order to counter Marxism and the appeal of Marxism among workers.¹¹ His university teachings on the history of economic thought and individualism reveal, from the 1930s and 1940s onward, his admiration for an extreme Nietzschean elitism and for the social Catholicism of Le Play, which he combined with liberal and anti-dirigiste economic convictions. Almost at the same time the Lippmann was held, Baudin published in 1938 the preface of the French translation, at the Médicis publishing house, of Lionel Robbins’ book *Economic Planning and International Order*, which for Rougier corresponded to the spirit of “neo-liberalism”. Baudin also saw in Robbins’ book the expression of a “renovated liberalism”.

He also defended, in his own books, liberal monetary notions, in criticizing the risks of hyper-inflation and in pleading, like Rueff, for a return to the classical gold standard.¹² Under the Vichy regime that made corporatism its model, Baudin wrote the preface to the book of Maurice Bouvier Ajam, *La doctrine corporative*, in a way that bears witness to the complex nature of his liberalism. One of the peculiarities of Baudin is that he was a long-time admirer of Portugal’s Salazar of whom he would say later, in *L’aube d’un nouveau libéralisme* (1953), that he incarnated economically the “neo-liberal” ideas that were dear to him. After the war, Baudin was elected to the French Academy of Moral and Political Sciences. Baudin, who corresponded with Röpke, also played an important role in the Mont

Pèlerin Society—he became one of its vice-presidents—even if he was not, unlike Jacques Rueff or Bertrand de Jouvenel, invited to its inaugural meeting of 1947, and was not associated, in the beginning, with this new organization. In France, Baudin was an influential academic figure: in 1946, he became president of the *Société d'économie politique*, and he directed the *Association française de sciences économiques* from 1955 to 1964. Though initially not fond of the term “neo-liberalism”, Baudin did much to popularize the term after the war.¹³ For Baudin, neo-liberalism referred to a type of social “individualism” that assumed a strong State in order to ensure effective market competition and retained a meaningful concern with regard to social integration. The highly elitist vision of this admirer of Le Play and Nietzsche places him at some distance from liberals more attached to democracy.

Marcel Bourgeois was a French industrialist active in the Committee of Chemical Industries in France. Bourgeois, who was a businessman of the right, played a key role in establishing and supporting the Médicis publishing house that published French translations of the works of liberals such as Walter Lippmann, Friedrich Hayek, Fritz Machlup, and Ludwig von Mises. He was a friend of Marie-Thérèse Guénin, who led the Médicis publishing house. Bourgeois belonged to the ultra-right side of the French political spectrum, even supporting the *Parti Populaire*.

José Castillejo (1877–1945) was a Spanish jurist. For some time a professor of Roman law at the University of Madrid, Castillejo was a specialist on matters of education. A student of the philosopher Francisco Giner de los Ríos—a theorist of education highly influential in Spain, of a liberal and social intellectual disposition—Castillejo served as the permanent secretary of the Junta para Ampliación de Estudios e Investigaciones Científicas (JAE), an “official but independently administered foundation that awarded scholarships to students and teachers for study abroad and supported scientific investigation within Spain”.¹⁴ He was involved in the International Committee on Intellectual Cooperation and served in an advisory committee to the League of Nations, defending anti-nationalist methods in the teaching of history. His “liberalism”, shaped by his educational interests and by the political tragedy of Spain, was substantially removed from classical and contemporary economic liberalism. Prior to the Lippmann Colloquium, Castillejo’s political preoccupations were registered in *War of Ideas in Spain: Philosophy, Politics and Education*.¹⁵ He did not afterward commit himself to the neo-liberal movement from which he was already quite far removed.

John Bell Condliffe (1891–1981) was born in Melbourne, Australia, and moved to New Zealand at the age of 13. He was wounded outside Ypres, Belgium, while serving in the New Zealand Expeditionary Force in World War I. Condliffe taught economics at the University of Canterbury in New Zealand before joining the economic secretariat of the League of Nations in 1931. From 1931 to 1937, he was a member of the League's Economic Intelligence Service. In 1938, he published *International Commerce and Peace*—published by the International Committee on Intellectual Cooperation—in which he warned of the dangers that economic nationalism and autarky posed to world peace. In the late 1930s, Condliffe joined the London School of Economics (LSE), though he did not embrace economic liberalism to the same degree as some of his colleagues of the circle of Lionel Robbins. He often displayed an appreciation for the liberalism of Keynes, and was therefore far removed from Edwin Cannan, Hayek, and Robbins in the 1930s.¹⁶ Condliffe was, like Hayek, a faculty member of the LSE, and it is in his capacity as a lecturer at the LSE that he was invited to the Lippmann Colloquium, but he was not a follower or a friend of Hayek's. Even Condliffe's relationship with Robbins, the friend of Hayek, was somewhat strained and he found himself somewhat isolated due to his rather elusive intellectual outlook. Condliffe moved to the United States in 1939 and became a Professor of Economics at the University of California at Berkeley, where he taught until 1958.¹⁷ His works, always focused on international trade, include *The Reconstruction of World Trade. A Survey of International Economic Relations* (1941) and *The Commerce of Nations* (1951).

Auguste Detoeuf (1883–1947) was a French businessman who made his career in the electro-technical industry. In the 1920s, he successfully climbed the corporate ladder in the Compagnie Française Thomson-Houston (CFTH), became a board member of more than 20 electrical and electro-technical companies, and became president of the Alsthom group (today known as Alstom). Inspired by the American company General Electric, Detoeuf favored strategies of industrial rationalization. In the 1920s, he argued for an increase in workers' salaries, and in the 1930s, he became more and more interested in working conditions and in economic questions pertaining to French society. Detoeuf allowed philosopher Simone Weil access to the workshops of Alsthom to develop her critique of factory work. In the late 1930s, Detoeuf several times defended the Swedish model of negotiations between management and workers and praised the Front populaire for measures such as shortening the working

day, and instituting weekly rest periods and paid holidays.¹⁸ Nonetheless, Detoeuf kept a large distance from French socialism, seeking instead to forge a new path for the industrial world. In 1936, in front of “X Crise”, a group of technocratic former students of the École Polytechnique, he stated that “liberalism is dead”, in view of new productive structures and the crisis of capitalism.¹⁹ In his 1938 work, *Construction du syndicalisme*, he pleaded for a strong, mandatory but non-politicized unionism and for a variety of policy measures, including a minimum wage, a guarantee against unemployment, and a system protecting against old age and disability. Detoeuf sought a third way between liberalism and Marxism. At the time the Lippmann Colloquium was held, he seemed increasingly inclined toward justifying liberalism, without renouncing his prior concerns in the realms of industrial rationalization and social policy. Rougier had emphasized in 1939, at his conference in Lyon on “The offensive of neo-liberalism” that he had convinced Detoeuf by giving him Lippmann’s book. Rougier spoke of a “conversion” to liberalism by Detoeuf, *The Good Society* being the “bible of liberalism”. Detoeuf’s “liberalism”, marked by his executive business experience in France—close in that regard to the “social liberalism” of Louis Marlio—remained at a distance from both the Austrian School and the German “ordo-liberal” school.

Friedrich Hayek (1899–1992) was born in Vienna and studied law and political science at the University of Vienna. Born into a highly educated family, Hayek displayed a strong intellectual curiosity from a young age. Though favorably inclined toward socialism in his youth, he ultimately turned away from socialism in part due to the intellectual influence of von Mises, whose seminars in Vienna Hayek enjoyed. Without being the disciple of Mises, he worked alongside him, notably on the subject of economic cycles. The influence of the Austrian school on Hayek did not only come through Mises, however. First and foremost, before Mises, Hayek had been taught by Friedrich von Wieser, an atypical member of the Austrian school who was close, during a certain time, to English Fabianism. Above all, Hayek was considerably, and lastingly, influenced by the economic and methodological thought of Carl Menger, whose works he subsequently edited in London.²⁰ In 1931, Hayek was invited to lecture at the LSE.²¹ Although the formal invitation came from William Beveridge, it was most likely Lionel Robbins who had suggested to Beveridge that Hayek be invited.²² Robbins, who had attended Mises’ seminar in Vienna, was a market-oriented economist who took a stance against extreme interventionism, central planning, and Keynesian theories.

He was then rather isolated within the LSE, dominated by the ideas of Sidney and Beatrice Webb (who had founded the LSE, in a socialist and technocratic spirit) by the socialist Harold Laski and by Beveridge himself, who, while claiming to be “liberal”, was supportive of a strong degree of State interventionism in the economy. With regard to the “Austrian” economic perspective, it was marginal at the LSE. Hayek became a Professor at the LSE from 1932 to 1949. From within, he had been able to observe the influence of the ideas of the Webbs or of Beveridge, which he judged to be dangerous and false.²³

It was there, in London, that Hayek held lectures on the theory of knowledge in 1936 that he would deem—in retrospect—essential to his intellectual trajectory²⁴ (“Economics and Knowledge”).²⁵ In parallel, he pursued his critique of central planning, on the side of Mises, in the book he edited in 1935 on the subject, *Collectivist Economic Planning* (Hayek 1935). The work included Mises’ pioneering article against socialist planning, which according to him rendered economic calculation impossible,²⁶ but also included contributions from the Dutchman Nicolaas Gerard Pierson—one of the great precursors of the technical critique of socialism—the German Georg Halm and the Italian Enrico Barone.²⁷

In April 1938, shortly before the Lippmann Colloquium was held, Hayek had published an article in the *Contemporary Review*, titled “Freedom and the economic system”, the contents of which anticipated the theses of his book *The Road to Serfdom* against socialist collectivism and planning, which he deemed not only to be economically inefficient but also inimical to freedom.²⁸ During this period, Hayek and Robbins lost the battle against Keynes and the Keynesians. Although Keynes’s *General Theory* appeared in 1936, Hayek did not produce a critical response, hoping that his own work in progress, *The Pure Theory of Capital*, would ensure him success. But *The Pure Theory of Capital* would be a failure, partly in the eyes of Hayek himself. Having become a British citizen in 1938, concerned about the socialist and dirigiste tendencies of the LSE, he intended to contribute to the war efforts through his own abilities. In his well-known 1944 book *The Road to Serfdom*, Hayek warned of the threat of excessive central economic planning to liberty.²⁹

Hayek was critical of central economic planning not only on grounds of economic efficiency but also because such central planning bluntly bypassed a large stock of decentralized human knowledge (Ebenstein 2001, 89–102). Not only market prices, but also customs, social values and even human language embodied this decentralized knowledge, which

contained wisdom and insights that could not be successfully replaced by centrally crafted plans.³⁰ These institutions represented a type of spontaneous order.³¹ Although Hayek did criticize the dogmatism of “laissez-faire” in *The Road to Serfdom* (Hayek 1944, 71), he did so relatively briefly and amply defended the English classical liberal tradition.

In his works, Hayek was particularly critical of the rationalism he saw in the works of Francis Bacon, René Descartes, Saint-Simonianism, positivism, and so on while denouncing the disastrous influence of the school of engineers that was the École Polytechnique.³² This was also the subject of numerous articles in the 1940s gathered afterward in the book *The Counter-Revolution of Science*.

The publication in the United States of a version of *The Road to Serfdom* by *Reader's Digest* provided him with unexpected fame. He encountered several Americans—some business executives favorable to the free market and opposed to the New Deal, part of the Foundation for Economic Education (FEE)—who would help him to found the Mont Pèlerin Society in 1947, with Wilhelm Röpke and William Rappard. After teaching at the LSE as Tooke Professor of Economic Science and Statistics, Hayek taught at the Committee on Social Thought at the University of Chicago, as Professor of Social and Moral Science. Yet he was not chosen to be part of the Economic Department of the University Chicago, which rejected his candidacy.³³ This did not impede a collaboration—on the basis of a mutual intellectual autonomy—with multiple figures from Chicago in the Mont Pèlerin Society, especially Friedman, with the support of the FEE. During the 1950s and 60s, Hayek's thought increasingly gravitated away from the discipline of economics. At Claremont College in California, where Milton Friedman delivered lectures that would lead to his work *Capitalism and Freedom*, and Bruno Leoni, another important figure in the Mont Pèlerin Society, delivered lectures on “Freedom and the Law”, Hayek's lectures were the manuscript chapters of *The Constitution of Liberty*, published in 1960.³⁴ In *The Constitution of Liberty*, Hayek criticizes unbound State authority and arbitrary State power, strongly defends the rule of law in the context of private ownership of property and warns of the pitfalls of the concept of “social justice”. Hayek won the Nobel Prize in economics in 1974, one year after the first volume of his trilogy *Law, Legislation and Liberty* had appeared (1973, 1976, 1979), a work that marks an important inflection with regard to *The Constitution of Liberty*, particularly in its notion of the law. The title of the lecture he delivered at the Nobel Prize ceremony, *The Pretense of Knowledge*,

summarizes that which formed the core of his epistemological concerns since the mid-1930s, beyond its multiple evolutions. Unfortunately, almost nothing has been conserved of Hayek's contributions to the Walter Lippmann Colloquium. One of his rare recorded remarks consisted of saying that the rise of social resentment among masses was linked to the rise of interventionism and dirigisme, which had made the masses expect and anticipate a change in their position. This thesis was not shared by the more "reformist" members of the Lippmann Colloquium.

Michael Heilperin (1909–1971) was a monetary economist. Born in Warsaw, Heilperin received both his undergraduate degree and his doctorate in economics from the University of Geneva, in 1929 and 1931 respectively.³⁵ He was a student of William Rappard, then professor at the University of Geneva and the *Institut des Hautes Études Internationales*. From the 1930s onward, monetary challenges were at the forefront of his concerns.³⁶ He also pursued graduate studies at the LSE and Cambridge University. From 1935 to 1938, he was an assistant professor at the Graduate Institute of International Studies in Geneva.³⁷ It was in Geneva that he became a friend of von Mises, who inspired, in part, his economic and monetary understandings and his critique of economic nationalism. He also contributed occasionally to the League of Nations in this perspective. Shortly after the Lippmann Colloquium, he published *International Monetary Economics* (1939), in which he emphasized the importance of international monetary order through the coordination of national monetary policies.³⁸ From 1941 to 1945, he was Associate Professor of Economics at Hamilton College in New York. Heilperin returned to the Graduate Institute in Geneva in 1953, where he served as professor of international economics until 1964.³⁹ During this period, he pursued his research into the problems of international trade and monetary policy (*The Trade of Nations*, 1952, and *Studies in Economic Nationalism*, 1960). Heilperin favored a return to the gold standard in order to guarantee international monetary order. He was also an admirer of the liberalism of Rueff (see Heilperin 1967).⁴⁰

Bruce Hopper (1892–1973) was an early expert on the Soviet Union. In World War I, Hopper flew 29 combat missions with the 96th Air Squadron in Europe. Upon his discharge from the Army in France in 1919, he studied at the Sorbonne in Paris and at Oxford University. Hopper received his undergraduate and graduate degrees from Harvard University and taught at Harvard University's Department of Government from 1930 until his retirement in 1961.⁴¹ Hopper provided comments on

Lippmann's draft of *The Good Society*, the book at the center of the Lippmann Colloquium, as Lippmann's acknowledgments at the beginning of the book reveal. Hopper delivered numerous lectures on foreign affairs, mostly pertaining to the Soviet Union, and some of these lectures were subsequently published (for instance, *Pan Sovietism: the Issue before America and the World*, 1931). A charismatic professor of political science at Harvard, Hopper is known for having supervised the thesis of the young John Fitzgerald Kennedy, on whom he exercised a certain influence.

Bernard Lavergne (1884–1975) was one of the most important students of economist Charles Gide and the cooperative school of Nîmes, of protestant religious inspiration. Yet Lavergne, who claimed the “liberal socialism” of pre-Marxist socialist associationism, would become more favorable to liberalism than Gide was. Co-founder with Gide, in 1921, of the *Revue d'études coopératives*, Lavergne quickly left his mark on this important body of social and “solidaire” economics, which he directed since the beginning. In the 1930s, Lavergne was among the first to speak of “neo-liberals” to refer to the tendency—a positive tendency, in his view—toward convergence of, and a compromise between, the liberal school and the interventionist school. Lavergne rejected the old liberalism of the nineteenth century—anti-statist and in his view also anti-social—and was worried about the rise of monopolies, cartels, and ententes, with their incestuous relationship with the State. His own thinking on these matters was significantly influenced by his observation of the debates in Germany on the cartelization of the economy. Concerned about the rise of Fascism and National Socialism, hostile to communism and even more so to Stalinism, Lavergne advocated a tempered return to liberalism.⁴² Despite his differences with Rougier—for example, with regard to their respective approaches toward Protestantism—Lavergne favorably received Rougier's research on “economic mystiques” and the crisis of liberalism.⁴³ Like other supporters of cooperative economics, Lavergne was wary of the logic of monopolies and large corporations, which helps illuminate the tempered liberalism he favored in response to the totalitarian threat.

In his 1938 work, *Essor et décadence du capitalisme* (Rise and decadence of capitalism) published around the time the Lippmann Colloquium was held, Lavergne wrote that he preferred a reformable capitalism to a totalitarian communism that banned trade unions. In the year of the Lippmann Colloquium, Lavergne defended “the cooperative order” as a “capitalism without capitalists” that would blend “the social advantages of the

enterprise of the State with the commercial value and technique of private enterprise".⁴⁴

Walter Lippmann (1889–1974) was an American author, journalist, and commentator who had a broad range of interests, including the study of public opinion. A socialist activist while a college student, Lippmann was a founding editor of *The New Republic* magazine, one of the main publications of the left disseminating progressive ideas. Later, he partially renounced these ideas. He wrote a number of books, including *Public Opinion*, *The Phantom Public* and *The Good Society*. Influenced in his youth by the pragmatism of William James, and a careful reader of the American institutional school of economics—especially John Commons—Lippmann evolved politically. After initially opposing Roosevelt as an unqualified candidate, he afterward publicly supported his candidacy against Hoover, as well as the president's "New Deal" program for several years.

In the middle of the 1930s, however, Lippmann evolved toward a critique of the New Deal and progressive ideas, yet without becoming a thinker "of the right".⁴⁵ A close friend of Keynes from the 1920s onward, Lippmann had gotten Keynes published in *The New Republic* and paid tribute to him in *The Good Society*. Yet Lippmann was also receptive, in 1937, to the critique of central planning put forth by the Austrians Mises and Hayek. The positive references to Keynes *and* the Austrian school reveal that the message of *The Good Society* is considerably more complex than has often been admitted.

In this book, Lippmann showed himself to be a strong proponent of the division of labor, the market, the rule of law, but he criticized the capitalism of his time, the old dogmas of *laissez-faire*, castigated the inhumanity of nineteenth-century liberals with regard to social suffering, and pleaded for an "agenda of liberalism" that includes measures such as progressive taxation and significant taxes on estates stemming from forms of privilege or monopoly.

Hence, Lippmann is not easy to classify ideologically and could change his mind in light of new circumstances.⁴⁶ During the war, after having been at the heart of the Colloquium that bears his name, he wrote to Rougier that the fight in favor of liberalism was no longer a priority and that he did not want to devote himself to the CIERL (the International Center of Studies for the Renovation of Liberalism). At this time, he supported Roosevelt once again. After the war, Lippmann was a member of the Mont Pèlerin Society, but did not participate in it, and eventually left the group after not having paid his membership dues for several years. He

greeted the publication of Hayek's *The Constitution of Liberty* (1960) with little enthusiasm, though Hayek cited him favorably. He continued to oscillate politically, supporting Kennedy's "New Frontier" and Johnson's "Great Society"—in not seeing a contradiction, in this support, with regard to his ideas of the time of *The Good Society*—while criticizing Johnson's escalation of military efforts in Vietnam.

Étienne Mantoux (1913–1945) was a French economist, son of Paul Mantoux, who directed with William Rappard—he too, had been invited to take part in the Lippmann Colloquium, and would be the future driving force behind the inaugural meeting of the Mont Pèlerin Society in 1947—the Graduate Institute of International Studies in Geneva, which had welcomed in the 1930s Rougier, Mises, Röpke, and even Hayek. The young Étienne Mantoux created one of the first important critiques of Keynes's analysis of the economic consequences of the Treaty of Versailles, and more broadly, of the Keynesian revolution (Mantoux 1937; Mantoux 1946).⁴⁷ In France, this precocious anti-Keynesianism brought him closer to a French economist of another generation, Charles Rist. Like his friends Raymond Aron and Robert Marjolin—who unlike him supported the Keynesian revolution—Mantoux was influenced by the moderate liberal French historian Élie Halévy, who described with concern the rise of the totalitarian threat.⁴⁸ Difficult to classify ideologically, Mantoux was above all concerned about the rise of illiberal regimes in the 1920s and 1930s, and he was a firm supporter of economic liberalism. He perished in combat in Germany shortly before the end of the war. Hayek admired him, in particular for his vigorous critique of Keynes, and at the time the Mont Pèlerin Society was founded in 1947, Hayek declared that Mantoux should have played a key role in it had he still been alive.

Robert Marjolin (1911–1986) was an economist who had favored cooperative socialism in his youth, and who had been a member of the socialist planning group "Révolution constructive" (constructive revolution), in which the young Claude Lévi-Strauss notably participated.⁴⁹ In the late 1930s, Marjolin worked alongside the economist Charles Rist. Rist had grown more liberal over time and was a noted adversary of Keynes, whereas Marjolin himself was a Keynesian. At the time, Marjolin was interested in the Roosevelt experience, both from a scientific and a political point of view (Marjolin 1936). Like his friend Raymond Aron, he worked at the Centre de documentation sociale, which was led by Célestin Bouglé and based at the Ecole normale supérieure.⁵⁰ Like Aron, Marjolin was at first a supporter of the Front populaire, before criticizing its economic

program, deeming it dangerous for France in view of the German military threat.⁵¹ At the time, Marjolin, like Aron, inclined toward socialism, and this was still true at the time of the Lippmann Colloquium. In the realm of economic theory, Keynes's renovated liberalism interested him a great deal. Before World War II, Marjolin had "become Keynesian upon reading the *General Theory*".⁵² Even Marjolin's thesis, published in 1941, was inspired by Keynesian theories.⁵³ In the political realm, his great concern was that of imminent war. Like Auguste Detoeuf and Roger Auboin, he contributed in the 1930s to the pro-European publication *L'Europe nouvelle*, where he often warned of the German threat. Marjolin remained close to Keynesianism, all while being clearly identifiable as a liberal, and after the war played an important role, alongside Jean Monnet, in the implementation of French planning and above all in the creation of the European Economic Community. Marjolin took part in the negotiations of the Treaty of Rome in 1957 and served as European Commissioner from 1958 to 1967. He was also the first Secretary-General of the Organization for European Economic Co-operation (OEEC) from 1948 to 1955.

Louis Marlio (1878–1952) was a French technocrat and businessman who played a key role in the Lippmann Colloquium and the developments that resulted from the Colloquium, in particular the International Center for the Renovation of Liberalism, for which he delivered the inaugural lecture at the Musée social. Marlio theorized, in management circles and beyond, the concepts of "social liberalism" and "neo-liberalism". Contrary to Aron, Mantoux, or Marjolin, he was far removed from the academic environment of universities. Marlio was head of the chemical company *Compagnie des produits chimiques et électrométallurgiques d'Alais et de la Camargue*. Although rather liberal, Marlio admired moderate socialist statesmen such as Aristide Briand, who was also supportive of an international legal order and European integration. Yet Marlio was also strongly influenced by a Catholic social culture, and was very much interested in corporatism before distancing himself from it at the time the Lippmann Colloquium was held. Unlike several mostly French and German neo-liberals, Marlio was not particularly hostile to "industrial ententes", which he had even favored in practice (see, e.g., *Les Ententes industrielles internationales*, 1931), or to certain forms of cartels. From the mid-1930s on, Marlio tirelessly defended his proposed "social liberalism".⁵⁴ If this type of liberalism was neither socialist nor social-democratic (or even Rooseveltian: Marlio did criticize the New Deal several times), he favored a range of social negotiations and public interventions in the economy, for social

protection, income redistribution, a safety net as well as a progressive income tax and an estate tax to finance such measures.⁵⁵ His defense of the free market against dirigisme was as such largely tempered by all these correctives, which explains that on numerous occasions he voiced his preference for the term “social liberalism” over the term “neo-liberalism”, though he nonetheless adopted the latter.

Remaining close to the spirit of social Catholicism, Marlio favored a decentralized and partly “corporatist” system—though far removed from fascism or even a Salazarian corporatism that Baudin liked—rather than a statist system, for purposes of worker income protection and decentralized solidarity. From the 1930s onward, Marlio respectfully invoked the contributions of Keynes, yet without being a “Keynesian”. In his own account of the Lippmann Colloquium, he claimed to have played a key role in this event—though it was in reality organized by Rougier—and curiously evoked among the main protagonists William Beveridge, the father of the British welfare State, who was absent from the Colloquium, (see *Lionel*, 1946).⁵⁶ During the war, while in exile in New York, Marlio’s plea for a “social liberalism” was accompanied by his celebration of the values of the French Revolution, by his insistence on equality and fraternity.⁵⁷ He was appreciated by the famous “neo-Thomist” Catholic thinker Jacques Maritain for his liberalism’s social character. Supporter of a worldwide peace organization, always admiring the peace and European projects of Aristide Briand, in 1942 Marlio participated in a public commemoration of Briand, alongside Alexis Leger and Richard von Coudenhove-Kalergi, the activist of the pan-European movement who favored European unification. After the war, Marlio continued to defend his “social liberalism” and above all an international legal order, writing a thick book on the threat of atomic weapons.⁵⁸ Quickly forgotten, Marlio was an important figure in the nebulous French group of “neo-liberals”: he formally closed the Lippmann Colloquium through his speech, and he formally opened, through another speech, the *Centre International d’Etudes pour la Renovation du Libéralisme*. Finally, he insisted that the CIERL be located at the Musée social, a key institution associated with reformist and “social” French thought.⁵⁹

Ernest Mercier (1878–1955) was a right-wing industrialist partial to technocracy who advocated the economic and social modernization of France. Though Mercier deplored what he viewed as the Front populaire’s “Marxist” tendencies, he advocated greater social awareness and social

responsibility on the part of employers.⁶⁰ At one point, Mercier recommended that France form an alliance with the Soviet Union in order to deal with the threat of Nazi Germany,⁶¹ a proposal that shocked many of his fellow business executives, who reproached him that he was too complacent with regard to the communist economic record.⁶² Naturally, Mercier in truth had nothing to do, on the merits, with the communist model: he was a French technocrat who accepted a measure of liberalism and was sometimes favorable to a degree of authoritarianism. There are no indications that, at the time the Lippmann Colloquium was held, he had significantly changed his views. Like Detoef and even Marlio, the French technocratic orientation of Mercier was far removed from the liberalism of Hayek and especially from that of Mises.

Ludwig von Mises (1881–1973) was an economist known for his contributions to the theories of economic cycles, the socialist calculation debate of the early 1920s,⁶³ and the methodology of the Austrian school of economics. Born in what was then Austria-Hungary, now Ukraine, Mises studied at the University of Vienna. Although he was influenced intellectually by the liberal economist Eugen von Böhm-Bawerk—an early critic of Marxism who conducted a seminar that Mises attended—and Carl Menger—who inspired his methodological individualism—Mises formulated his own vision of economic theory and methodological individualism, including a utilitarian dimension in the formulation of his liberalism. Mises’ private seminar in Vienna between 1920 and 1934—which reactivated the tradition of Böhm-Bawerk’s seminar—was one of the high-level intellectual locations where the Austrian school was renewed. Mises had also founded in 1926 an institute for the study of the economic cycle—one of his areas of research—in confiding the leadership of this institution to the young Friedrich Hayek, who at the time was also interested in these questions. Among the future members of the Lippmann Colloquium, Hayek—who worked alongside Mises, distancing himself in important respects from the influence of von Wieser—and Alfred Schütz participated in his Vienna seminars.⁶⁴

Mises’ technical research of economic cycles was accompanied by a vigorous critique of socialism, of economic interventionism, and of nationalism. In the socialist calculation debate of the early 1920s, Mises argued that the function of market prices could not be effectively replaced by any economic system that dispensed with the market pricing mechanism.⁶⁵ To Mises, market prices were both indispensable and irreplaceable as an allocator of scarce economic resources. And there is no “third way” between

liberalism, based on private property, and socialism, based on collective property. For Mises, “interventionism” in all its forms of economic planning, even flexible ones, are moderate forms of socialism that risk degenerating into totalitarianism, aside from their lack of economic efficiency.

Mises wrote numerous books in defense of economic liberalism, including *Socialism* (1922), *Liberalism* (1927), and *Human Action* (1949). In *Liberalism*, he argued that fascism had the merit of having stopped the Bolshevik threat to Europe, while cautioning that fascism “cannot fail to give rise to an endless series of wars that must destroy all of modern civilization”. Only liberalism, and not fascism, could provide a solution to socialism, he argued. Of the Lippmann Colloquium participants, Mises remained most committed to defending pure economic liberalism against State intervention. Like many other members of the Lippmann Colloquium, Mises was also extremely concerned about the rise of National Socialism and the prospect of a future war. In 1931, again in Germany, he feared that future catastrophes were likely. The rise of Hitler to power strengthened his willingness to accept, in 1934, a Chair in international economic relations at the *Institut des Hautes Etudes Internationales* in Geneva. During this period, he worked on his book regarding the theory of human action in its German version, *Nationalökonomie. Theorie des Handelns und Wirtschaftens* (first published in 1940). In 1944, through Yale University Press, he published *Omnipotent Government: The Rise of the Total State and Total War*, in which he critically analyzed statism and National Socialism.⁶⁶ In Mises’ case therefore, theory was linked to current events.

The fate of academics threatened by National Socialism, a group that included him, also greatly preoccupied Mises in the 1930s. As William Beveridge described it, Mises had met him and Lionel Robbins at a café in Vienna, and Mises had read out loud from a newspaper the list of professors dismissed from their position at German universities for political or racial reasons.⁶⁷ This shared indignation quickly gave rise to the Academic Assistance Council, an assistance organization for university victims of National Socialism. Like Hayek, Mises was worried about the fate of Austria in view of German National Socialism, and because of his Jewish background he was at special risk. In March 1938, days before German forces invaded, Mises was able to flee from Austria to Switzerland. German police were looking for him and emptied his apartment, confiscated his manuscripts, his correspondence, as well as his personal belongings: more than 20 boxes of documents were seized that would later be transferred to Moscow and not discovered again until 1991.⁶⁸

With difficulty, Mises and his wife were able to travel to the United States via France, Spain, and Portugal in 1940, with the help of Louis Rougier. Prior to his departure for the United States, Mises had the time to publish in Geneva *Nationalökonomie*, the precursor to *Human Action* (1949), widely considered to be his *magnum opus*. In the United States, where von Mises' economic and professional situation was always highly precarious—in spite of the support of several business executives and intellectuals—Mises wrote numerous books and articles and taught a seminar at New York University from after the war until to 1969, which was attended by admiring libertarians, notably Murray Rothbard. In his highly detailed recollections (*Erinnerungen*, Mises 1978) ending in 1940, Mises does not mention the Lippmann Colloquium (or Lippmann or Rougier for that matter), though the Colloquium had only been held less than two years prior.

André Piatier (1914–1991) was a statistician and economist who worked for the League of Nations International Committee on Intellectual Cooperation and, after the war, for the INSEE, France's National Institute for Statistics (*Institut National de la Statistique et des Études Économiques*). In a book review published not long after the Lippmann Colloquium, Piatier reviewed four works: *Socialism* by von Mises, *Les Mystiques Economiques* by Rougier, *The Good Society* by Lippmann, and *La doctrine corporative* by Maurice Bouvier-Ajam. Piatier viewed the first three of these as the pillars of the “neo-liberal” “new school”.⁶⁹ Piatier alluded that Lippmann's fiscal proposals to correct income inequality were “not far removed from the notions of the socialist [economist Adolph] Wagner”. Piatier's works reveal that he was not an orthodox supporter of the “free market” at the time the Lippmann Colloquium was held, and there is little doubt that he never was. After his study on currency controls in the Third Reich was published (Piatier 1937), he published his study on tax evasion (Piatier 1938b) a pioneering work on the scope of tax evasion and the means of tackling it. Far from being a plea for classical liberalism, the book reflected a clear redistributive concern.⁷⁰ The liberalism of Piatier defies easy categorization.

Michael Polanyi (1891–1976) was a chemist, a philosopher, and a polymath. Polanyi was born in Hungary, to a Jewish family, and studied medicine, physics, and above all chemistry, first in Budapest, then in Berlin. He was the brother of Karl Polanyi, with whom he would retain important intellectual links, despite their profound differences concerning socialism, economic planning, and liberalism. Whereas Karl Polanyi had

taken a stance in the 1920s against the theses of liberals such as Mises on the impossibility of socialist planning, Michael Polanyi would become a radical critic of planning, while recognizing in the 1930s and 1940s the validity of certain interventionist recommendations of Roosevelt and especially of Keynes. At the outset, Polanyi prepared for a purely scientific career. He taught chemistry at the Kaiser Wilhelm Institute in Berlin in the late 1920s before moving to the UK in 1933. He then taught at Victoria University of Manchester,⁷¹ first chemistry from 1933 onward, then social sciences from 1948 onward, spending his latter years at Merton College, Oxford. Polanyi's research interests centered around philosophy and epistemology (see Polanyi 1941, 1946). Polanyi was fond of liberal democracy and strongly opposed Soviet Communism, including the politicization of science in the Soviet Union (Lysenkoism).⁷²

Starting in 1910, Polanyi wrote numerous scientific articles in journals; his first books were *U.S.S.R. Economics* (1935) and *The Contempt of Freedom: The Russian Experiment and After* (1940).⁷³ Polanyi had taken trips to the Soviet Union in 1928, 1931, and 1932. He was extremely critical of the Soviet economic experiment, arguing that whatever gains were made came at an extraordinary cost to the institutions of civilized life.⁷⁴ After the war, Polanyi became a close friend of an old member of the Walter Lippmann Colloquium, Raymond Aron—within the Congress for Cultural Freedom, an association opposed to Soviet Communism, particularly in the cultural realm. Polanyi also participated in the Mont Pèlerin Society alongside another friend, Hayek. It is with the latter that Polanyi nurtured closer intellectual links and exchanges, particularly with regard to epistemology, although they differed in their assessment of Keynes.⁷⁵ In contrast, among former members of the Walter Lippmann Colloquium, Polanyi's relationship with Röpke would prove to be more tense.⁷⁶ Polanyi's work comprises several works dealing with theory of knowledge, such as *Personal Knowledge* (1958), *The Tacit Dimension* (1966), and reflections on scientific and political life such as *The Logic of Liberty* (1951).⁷⁷

Stefan Possony (1913–1995) was an economist and analyst of international security policy. Born in Vienna, Possony studied history and economics at the University of Vienna. After Germany annexed Austria in March 1938, he fled to Czechoslovakia. In the wake of Germany's occupation of Czechoslovakia, he fled to France, where he advised the French Air Ministry. In 1938, Possony published a book that Rougier took note of, *To-morrow's War: Its Planning, Management and Cost*. Although the

book was not a general treatise on political economy, Possony explained that “above all, it should be pointed out that economic life never has been free from State interference and never will be”, and that “even the most extreme ‘liberalism’ reckons with interventions by the State”.⁷⁸ In this work, which was almost immediately translated to French at the Médicis publishing house, Possony advocates an enormous amount of defense spending to bring about the production of tanks and motorized vehicles that would be necessary to win war. Possony’s own life was turned upside down, as was the case for several other members of the Lippmann Colloquium, by events.

In the wake of the German invasion of France, Possony was narrowly able to escape, fleeing to the United States via Spain and Portugal. In World War II, he worked as an intelligence officer for the US Navy. After the war, he taught at several universities while continuing to provide advice on military matters to policymakers. Possony joined the Hoover Institution at Stanford University in 1961 and later advised US president Ronald Reagan on what would become known as the “star wars” strategic defense initiative.⁷⁹

Wilhelm Röpke (1899–1966)⁸⁰ was a German economist who focused on the philosophy of economics. In his youth, Röpke had advocated a humanitarian and pacifist socialism, but he broke quite soon with his earlier convictions and embraced classical liberal and even conservative views. The experience of the first World War I was a fundamental trauma in his personal and intellectual life: mobilized in the “Prince Albrecht” regiment in 1918, he passed through hostile fire and a field of dead bodies close to Douai, in France. Ernst Jünger was part of the same regiment. But whereas the author of *Storms of Steel* would draw from his wartime experience a nationalist vision, Röpke’s views evolved toward a pacifism with a socialist tinge, and rapidly toward a liberalism he sought to renovate.

Röpke studied government and jurisprudence at the universities of Göttingen, Tübingen, and Marburg. The young researcher, member of the liberal party (DDP), favored a democratic and liberal republic, against the nationalist tendencies of his country. After obtaining a doctorate in economics, he taught at several German universities. Recognized as one of the most important young economists of his generation, he provided policy recommendations under Weimar Germany aimed at getting it out of its economic crisis.⁸¹ Certainly, Röpke had from the 1920s on been influenced the Mises’ critique of socialism and dirigisme, and afterward by the Freiburg School. But Röpke’s own position was distinct. In 1931, he took

part in the Brauns commission tasked by the Brüning government with finding solutions to the unemployment crisis. Röpke was already supportive of economic and market liberalism, but concluded that the exceptionally serious economic crisis required an intervention by the State to relaunch the economy. These have sometimes been deemed pre-Keynesian recommendations; in any event, they broke partially with the liberal orthodoxy of the era. Until the mid-1930s, Röpke referred positively to Keynes. He contributed to *The Economic Journal*, of which Keynes was editor-in-chief. From 1936 onward, however, he confided to Gottfried Haberler that although Keynesian theory contributed much, it also constituted a potential danger.⁸²

Röpke's liberalism was not "Keynesian", and he moved more and more toward rejecting the theses of Keynes, beginning with the latter's publication of the *General Theory*. At the time the Lippmann Colloquium was held, Röpke already deemed the impact of Keynesianism on the West to be a negative one. This opposition toward Keynes was also linked to the conservative philosophical convictions of the German economist. Raised in a rural and religious environment, Röpke became increasingly concerned about the functioning of man in an atomized, "mass" society.⁸³ Critical of National Socialism—he was one of the rare academics who refused to swear an oath to the new regime—Röpke went into exile in 1933, finding refuge in Turkey.

In 1937, he moved to the Graduate Institute in Geneva where he often interacted with Rappard and Mises. During this period, like his friends, he was haunted by the threat looming over liberal democracies. The policy of appeasement of parliamentary democracies shocked him.⁸⁴ During the war, Röpke reflected on the decline of liberalism and its causes, publishing several works on the subject—more philosophical than economic in the technical sense of the term—including *The Social Crisis of Our Time* (1942), *Civitas Humana* (1944, later re-issued as *The Moral Foundations of Civil Society*), and *International Order* (1945).

After World War II, Röpke decided not to return to Germany, demonstrating his admiration for the federal model and the civic and religious culture of the Swiss. During the war, he had been invited to move to the United States for an academic position, but his displeasure of living in the United States in the inter-war period on a Rockefeller fellowship (1926–1927) likely dissuaded him from accepting the offer.⁸⁵ Instead, based in Switzerland he provided advice to the German minister of

economics and later federal chancellor, Ludwig Erhard.⁸⁶ In the 1950s, his writings became more liberal economically and also even more conservative than in previous decades, always accentuating—as in *A Humane Economy* (1958)—the moral and economical presuppositions of the free competitive market.⁸⁷

Röpke is considered a key figure in the “ordo-liberal” school of thought, even if his “sociological liberalism” differs from the intellectual orientation of more orthodox figures of ordo-liberalism, such as Walter Eucken, and he had a significant impact on the design and implementation of the social market economy in Germany.⁸⁸ A founding member of the Mont Pèlerin Society in 1947—Röpke was one of its pillars, along with Hayek, but also the Swiss Albert Hunold and William Rappard—he resigned from the Society as a result of internal disputes in 1961.⁸⁹ Röpke’s views on sensitive racial issues—in the 1960s he publicly defended the policies of the South African government—remain controversial. Over the years he maintained close links to neo-liberal, and also conservative, circles. As such, Röpke would maintain important links to Russell Kirk and William Buckley, the influential founder of *National Review*, both important figures in the post-war American conservative movement.

Louis Rougier (1889–1982) was a French philosopher who taught at numerous universities and wrote many books pertaining to philosophy, history, and epistemology. He is known in the history of French philosophy for having been a member of the Vienna Circle of analytical philosophy, and was a pioneer in this domain with a congress in Paris in 1935 that was a renowned event in the discipline. He was also interested in economics.⁹⁰ Politically very conservative and elitist, critical of democracy in his first writings, Rougier did not succumb to the fascist or corporatist temptation. He nurtured a friendship with the liberal anti-fascist Guglielmo Ferrero, whom he helped to leave Italy.⁹¹ In the early 1930s, Rougier became increasingly interested in the Soviet Union; returning from a trip to the USSR in 1932, at a time when the Soviet experience of planning seduced a part of the international left as well as the French left, Rougier provided an extremely critical account of it, on multiple occasions. Rougier’s anti-communism was always pronounced. He was convinced that a centrally planned economy could not, in the long run, exceed a liberal economy’s performance, but he also deemed the USSR to be a regime that destroyed liberty.⁹² In several writings, especially in his book on “economic mystiques” resulting from lectures held at the Graduate Institute in Geneva, Rougier favored, right before the Lippmann Colloquium, what he termed

“*libéralisme constructeur*”, constructor liberalism, as opposed to “liberal socialism” or the old *laissez-faire* liberalism.⁹³ Rougier described the system he had in mind as follows: “Neither communism nor fascism, [but] a return to constructive liberalism [*libéralisme constructif*], which implies a very strong government, in the framework of its powers, capable of resisting coalesced interests and the demands of the masses on the inside and able to take a stand against the dictatorships on the outside”.⁹⁴ A certain degree of intervention by the State would be necessary, Rougier argued, in order to save liberalism. When, in 1938, Lippmann happened to pass through Paris, Rougier proposed to organize a dinner around him and the translation of Lippmann’s book *The Good Society* into French. Lippmann and Rougier were not acquainted prior to the Colloquium, and Lippmann seems to have initially been wary of him. During the war, Rougier was sent by Pétain to London for a “secret mission” under circumstances that remain unclear. This episode rendered many of Rougier’s institutional positions, as well as his intellectual influence, highly vulnerable. Rougier’s legacy and his ability to serve in liberal organizations such as the Mont Pèlerin Society—participation in which was initially refused to him for a decade—were severely compromised by his activities in Pétainiste circles during and after the war. After the war, he became one of the most fervent opponents of General de Gaulle, of the Fifth Republic, and of the policy of de-colonization in Algeria. Growing closer to extreme-right circles, he became, from the late 1960s onward, a close acquaintance of Alain de Benoist, a mentor of the “Nouvelle droite” movement that laid claim to his work. This intellectual development did not prevent Rougier from maintaining links with French liberals that he appreciated and who he was friends with, such as Jacques Rueff and especially Maurice Allais.

Jacques Rueff (1896–1978) was a prominent French economist and civil servant. Rueff served for four years on the Western front, rising from the rank of gunner to lieutenant.⁹⁵ A student of the liberal economist Clément Colson, Rueff subsequently served as a civil servant at the Inspectorate of Finances, the League of Nations, the French Embassy in London, the General Movement of Funds, and—up to 1941—the French Central Bank. In the 1920s, Rueff defended liberal economic and social ideas, critiquing on economic grounds the system (and principle) of unemployment insurance.⁹⁶ Rueff wielded influence in political circles, in the 1920s notably those right-of-center. In 1926–1927, he served as advisor in the cabinet of Raymond Poincaré. He also advised Pierre-Etienne Flandin—one of the first to use the term “neo-liberalism”, a term that Rueff did not like—and Pierre Laval in 1935. Rueff also supported, in the

1920s and 1930s, the positions of the former socialist Aristide Briand who had from 1929 on laid the foundations for a European economic union that to a degree anticipated the European common market. More broadly, Rueff worked for the League of Nations.

During the economic crisis of the 1930s, when many of Rueff's friends openly doubted liberalism, he publicly reaffirmed his confidence in liberalism.⁹⁷ For Rueff, the crisis of capitalism did not imply a dramatic revision to the system, even if he too in effect proposed a revision, albeit in his own way, of liberalism.⁹⁸

After the war, Rueff held various positions including that of Judge on the Court of the European Coal and Steel Community. Favorably disposed to the Treaty of Rome that gave birth to the European common market in 1957, Rueff saw in it the creation of an "institutional market" that incarnated the neo-liberal ideas in the way in which he understood them.⁹⁹ Rueff argued markets were deliberately created institutions that did not, and could not, arise spontaneously. For many years, Rueff also taught economics to future top French civil servants. A close adviser to General de Gaulle back in power, Rueff was the architect of France's 1958 financial and economic reform package.

In the field of monetary theory, he consistently defended both the classical (pre-1914) gold standard—an extremely important idea in his eyes, and one that was not shared by all neo-liberals—and the free functioning of the market pricing mechanism.¹⁰⁰ In his *magnum opus*, *L'ordre social* (social order), Rueff emphasized that social order, markets, and monetary order are *not* spontaneous or natural phenomena. Instead, these forms of artificial order must be deliberately created through institutions.¹⁰¹ From the 1930s onward, and multiple times in the following decades, Rueff embraced what he termed "left liberalism": the State could engage in financial assistance to the poor, embark on infrastructure projects, and engage in income redistribution so long as such spending was not financed by budget deficits or improper monetary methods such as inflation. To Rueff, the *methods* on which the State relied to intervene economically were far more important for the maintenance of economic and social order than the *degree* of State intervention. Rejecting State abstentionism in principle, for Rueff liberalism was "not a degree of government but a method of government"¹⁰². The term "*libéralisme de gauche*" (left liberalism)—even if Rueff was without a doubt not a man of the left and interacted mainly with right-of-center politicians, European federalists and Gaullists—meant for him also that it was important to persuade trade unions and the world of workers of the value of neo-liberal ideas.

Although Rueff did not participate in the inaugural meeting of the Mont Pèlerin Society, he was a member of the group from its inception and as such maintained a correspondence with Hayek and especially with Röpke, of whom he was a close friend and with whom he exchanged numerous ideas,¹⁰³ though they held different views on European integration.¹⁰⁴

Alexander Rüstow (1885–1963)¹⁰⁵ was a German economist and sociologist. Committed to socialist ideals, even briefly communist ideals, in his youth—much more than his friend Röpke—he gradually evolved toward a liberalism that he himself referred to as “neo-liberalism”, or as “liberal interventionism”. Born into a Prussian family, Rüstow was educated in classical philology, philosophy, mathematics as well as economics at the Universities of Göttingen, Munich, and Berlin. Rüstow served in World War I for four years as a reserve lieutenant in the artillery branch and subsequently worked as a civil servant at the Ministry of Economics where he was the official in charge of plans for the nationalization of the coal industry in the Ruhr.¹⁰⁶ His intellectual training saw contact with socialist ideas—particularly the “religious socialism” of Paul Tillich—as well as pacifist and feminist ones. He was also influenced early on by the sociologist and economist Franz Oppenheimer, theorist of a “liberal socialism”, which would also influence Röpke for a long time in the search of a “third way” as well as the young Ludwig Erhard, who wrote his thesis under Oppenheimer’s supervision. In Oppenheimer’s seminar, Rüstow interacted with intellectuals such as Adolf Löwe (his friend, like him both a sociologist and an economist) Eduard Heimann, and Gerhard Colm.¹⁰⁷ Some were also, like him, part of the “Kairos” circle that defended the religious socialism of Tillich.¹⁰⁸ Rüstow would untether himself from this circle, however. Exposed to German economic and political realities, he came to regret the influence of organized industrialists on public policy and from 1924 onward embraced liberalism. He was active in the *Deutscher Bund für freie Wirtschaftspolitik*. Like Röpke, he knew the work of Mises as well as Mises personally from the 1920s onward. Although he also shared the liberal Austrian critique of the socialist and dirigiste system held by Mises and Hayek, he increasingly inclined intellectually toward the Freiburg School.¹⁰⁹ Like the *ordo-liberal* Freiburg school, Rüstow revealed himself extremely hostile to the cartelization of the economy. This hostility was to play an important role in his turn toward liberalism and his search for a new liberalism. In 1932, during a session of the *Verein für Sozialpolitik*¹¹⁰ a young Rüstow pushed back against an elderly Werner

Sombart, defending the market—though not the old *laissez-faire* market—against Sombart’s critique.¹¹¹ Opposed to National Socialism, Rüstow left Germany in 1933, finding refuge in Turkey. It was there that Rüstow formed a strong intellectual connection with his friend Röpke, whom he had known since the late 1920s. Rüstow reflected on the problems of economic theory in a broader framework, encompassing legal, sociological, moral, and religious domains. He favored economic liberalism and market prices, but insisted that a strong and active State was necessary to maintain a well-functioning market order, for example, by actively keeping watch to avoid the formation of monopolies and repel other threats to the proper functioning of the market. In order to foster genuine equality of opportunity for all citizens, Rüstow favored—contrary to Röpke and the other German theorists of *ordo-liberalism*—a “confiscatory inheritance tax” so that economic advantages could not be passed on from generation to generation.¹¹² In 1945, from Turkey he published *Das Versagen des Wirtschaftsliberalismus als religion geschichtliches Problem* (“the failure of liberalism understood as a historico-religious problem”) in which he reaffirms, in a spirit close to Rougier, the critique of “laissez-faire”, and defends “liberal interventionism” (“*liberalen Interventionismus*”), which corresponded for him to true “neo-liberalism”—a term that, contrary to Röpke, he used to describe his vision. He also published his sociological and philosophical reflections on the history of freedom.¹¹³

Rüstow is considered to be an important figure in the “*ordo-liberal*” school of thought that shaped German economic policy after the war.¹¹⁴ Yet like Röpke, he was not a member of the Freiburg School, and his sociological liberalism was less juridical and constitutional than *ordo-liberalism* was.¹¹⁵ Upon his return from Turkey—from where he supported academics fleeing, or trying to resist, National Socialism—to Germany, in 1950, he would be a supporter of the “social market economy” and for many years, while Emeritus Professor at Heidelberg, chaired the group that supported this socio-economic policy, the *Aktionsgemeinschaft Soziale Marktwirtschaft*. Like Röpke, he would be a member of the Mont Pèlerin Society for several years, defending his personal positions without much success, and he also left the group in the early 1960s.

Alfred Schütz (1899–1959) was an Austrian social scientist with interests in both law and sociology. Schütz studied law, sociology, and philosophy at the University of Vienna in the early 1920s, where he became acquainted with Ludwig von Mises. In the 1930s, Schütz worked as a banker. In the wake of the *Anschlöss*, Schütz and his family—who

were threatened because of their Jewish origins—moved to America in 1939, where he worked as a consultant for the Office of Economic Warfare. Schütz subsequently taught Sociology and Philosophy at the New School for Social Research.¹¹⁶ His work exercised a strong influence on American and international social sciences, in the currents linked to pragmatism and phenomenology, and has left a mark on the realm of “ethnomethodology” until the present. One cannot say that Schütz was a “neo-liberal” thinker or even a “liberal” one, but his methodological and political concerns in the painful context of the 1930s help explain his participation in the Lippmann Colloquium.

Marcel van Zeeland (1898–1972) studied at the Superior Commercial and Consular School of Mons and the Catholic University of Louvain, and received a Master’s degree from Princeton University in the United States. Van Zeeland served as a senior official at the Bank for International Settlements. Not to be confused with his brother Paul (the Belgian statesman), Van Zeeland was ennobled in 1954 for his work. He was invited to the Lippmann Colloquium to represent the ideas of the book that Rougier admired, *Révision des valeurs*.¹¹⁷ That book had been published anonymously but was considered to embody the political and economic ideas of Paul van Zeeland, who, in the context of the crisis of the 1930s and the rise of the Rexist far right in Belgium, had proposed a new economic policy in which Rougier was interested. It was in the Belgian context that the term “neo-liberalism” was disseminated in Belgium even before it was in France. For van Zeeland, liberalism had to renovate by incorporating interventionist, social, and moral dimensions. In this sense, he was emblematic of the general project of “revising” liberalism defended by Rougier, who had logically invited van Zeeland.

OTHER INVITEES

Individuals who were invited to the Lippmann Colloquium but unable (or unwilling) to attend include Italian economist Luigi Einaudi, Dutch historian Johan Huizinga, the American Tracy Kittredge of the Rockefeller Foundation, former Italian Prime Minister Francesco Nitti, Spanish philosopher José Ortega y Gasset, Swiss diplomat and academic William Rappard, Italian economist Umberto Ricci, French economist Charles Rist, British economist Lionel Robbins, and French economist Henri Truchy.¹¹⁸

NOTES

1. Chautemps proceeded to nationalize the railroads and create the SNCF.
2. Auboin (1936).
3. Aron ([1982] 1999, 76–77).
4. Aron (1939).
5. The title can be translated as “Contemporary German Sociology”.
6. Aron saw in Oppenheimer an authentic liberal keen to make liberalism less inegalitarian. But while Oppenheimer would exercise significant influence over German “neo-liberalism” and over those interested in a “third way”—Röpke, Rüstow, as well as the young Ludwig Erhard who was his student—Aron remained skeptical of his contributions. Aron himself was at the time more of a socialist, even if he already inclined toward liberalism.
7. Aron (1937).
8. On Laroque, see Jabbari (2012).
9. Baverez (2015).
10. Baudin (1937).
11. Baudin (1941).
12. On Baudin’s monetary ideas, see Baudin (1936a; Baudin 1936b; Baudin 1936c; Baudin 1938).
13. Baudin (1953, 146).
14. Boyd (1997, 59–60).
15. Castillejo (1937).
16. In 1934, at the invitation of the School of Corporative Sciences of Pisa, led by Giuseppe Bottai, the minister of corporations of the Fascist regime, Condcliffe agreed to submit a text—like other economist colleagues supportive of the New Deal or English socialism—on the recent transformations in the era of general interventionism and dirigisme. One should not see in this contribution the sign of an allegiance to Fascism. On the other hand, there is no question that it bears witness to a sympathy for dirigiste theses, or at least to an absence of strong hostility. On the subject of the new economic and social policies in Australia, Condcliffe defended the progress achieved in the realm of social protection. As far as he was concerned, capitalism and liberalism had to renew themselves.
17. Fleming (1998).
18. Ehrmann (1957, 47) and Audier (2012a, 216).
19. Detoeuf (1936, 37). The complexity of Detoeuf as a figure is illustrated by the magazine he co-founded and which left a mark on intellectual life in the late 1930s, *Les Nouveaux Cahiers*. Launched in March 1937, gone in 1940, this magazine—bimonthly then monthly—was a strange intellectual and doctrinal laboratory where technocratic and modernizing

executives, trade unionists, economics, and intellectuals met.—Some contributors were on the right, whereas others, more numerous, were on the left. Several of its members would pursue their career under the Vichy regime, but not all, and these trajectories or excesses should not lead to a too-hasty judgment of this complex experience. Such an attempt at *rap-prochement* between technocratic industrialists and trade unionists would re-occur during the brief existence of the *Centre international d'Etudes pour la rénovation du libéralisme*: Rougier and especially Marlio wanted to invite trade unionists and socialists. The writings of Detoeuf also express these attempts at *rapprochement*.

20. See Cubeddu (1993); Menger (1934–1936) and Ebenstein (2001, 21–30).
21. These lectures were soon published under the title *Prices and Production*, 1931.
22. Howson (2011, 178).
23. Among his rare liberal colleagues, one should mention Edwin Cannan, who played a role due to his interest in English and Scottish liberalism.
24. Hayek (1983, 425).
25. Hayek (1937).
26. On the socialist calculation debate, see White 2012 (32–67); for Hayek's contributions, see Caldwell (2004, 205–231).
27. The edited volume, prefaced and concluded by Hayek, was translated into French in 1939—by Daniel Villey (who would become an important player in the *Centre International d'Etudes pour la Rénovation du Libéralisme*, then in the Mont Pelerin Society), at the Médicis publishing house under the title *L'économie dirigée en régime collectiviste*.
28. “[I]t is a fatal delusion to believe that authoritarian government can be confined to economic matters. The tragic fact is that dictatorial direction cannot remain confined to economic matters but is bound to expand and to become ‘totalitarian’ in the strict sense of the word. The economic dictator will soon find himself forced, even against his wishes, to assume dictatorship over the whole of the political and cultural life of the people.” (Hayek 1938)
29. White (2012, 155–173).
30. Hayek (1967).
31. See also Cubeddu (1993).
32. Hayek (1967, 84).
33. Hayek (1994, 128). One of the reasons that is often cited is that *The Road to Serfdom* had led to public notoriety of Hayek which harmed his academic reputation. There were moreover important methodological disagreements between the Austrian School and the members of Chicago's economics department, which Hayek as well as Milton Friedman would later acknowledge.

34. Liggio (1994, 517).
35. Salerno (1992, 107–108).
36. See for instance his work, prefaced by Rappard, on monetary problems after World War I in Poland, Austria, and Czechoslovakia, 1931 (Heilperin 1931).
37. Salerno (1992).
38. Heilperin (1939).
39. Salerno (1992).
40. Heilperin (1967).
41. Anon (1973, 24).
42. Lavergne (1932, 422–434).
43. In the July 1936 edition of the journal *L'Année politique française et étrangère*, he provided a favorable account of Rougier's *Les Mystiques économiques*, emphasizing that the philosopher pleads for a “mitigated and reasonable liberalism”.
44. Lavergne (1938, 219).
45. Riccio (1994, 95–138) and Steel (1980, 310–326).
46. Riccio (1994) and Steel (1980, 299–326).
47. Mantoux (1937) and Mantoux (1946).
48. It is the subject of the famous conference given by Halévy in 1936, “L'ère des tyrannies”, that Wilhelm Röpke also appreciated.
49. Audier (2012b).
50. It was Bouglé who signed the preface of Marjolin's university work, *L'évolution du syndicalisme aux États-Unis: de Washington à Roosevelt* (Alcan, 1936) (“the development of trade unionism in the United States: from Washington to the United States”).
51. As Aron would remember in his interview book *Le Spectateur engagé* (1981), the two men were “wholeheartedly” with the Front populaire, but wanted to change its economic program (Aron 1981).
52. Marjolin (1986, 123).
53. Marjolin (1941).
54. Notably in his 1938 work *Le sort du capitalisme*, (the fate of capitalism).
55. Marlio (1931, 1938).
56. Marlio (1946).
57. Marlio (1943).
58. Marlio (1951).
59. On the significance of the Musée Social, see Horne (2002).
60. Audier (2012a, 216).
61. Mercier (1936) and Kuisel (1967, 128–135).
62. Audier (2012b, 141).
63. See White (2012, 32–67).
64. One should add, among the future invitees of the Lippmann Colloquium, Lionel Robbins, future colleague of Hayek at the LSE. The book of

- Robbins, *Essay on the Nature and Significance of Economic Science* (1932), was to a degree inspired by Mises and the Austrian school.
65. Mises ([1920] 1935). Also see Cubeddu (1993, 111–120).
 66. Mises (1944).
 67. Howson (2011, 237).
 68. Hülsmann (2007, 727). It is important to remember that at the time the Lippmann Colloquium was held, Mises was working on a book against statism and totalitarianism that would only be published posthumously in 1978, with a preface by Alfred Müller-Armack, under the title *Im Namen des Staates oder die Gefahren des Kollektivismus* (Stuttgart: Verlag Bonn Aktuell).
 69. Piatier (1938a).
 70. One reviewer regretted that Piatier did not emphasize the risks of an excessive tax burden to vibrant economic growth (Schwob 1939, 91).
 71. Now the University of Manchester.
 72. Polanyi, Michael. 1946. *Science, Faith and Society*. New Brunswick and London: Transaction Publishers. p. 8.
 73. These research projects provoked Hayek's interest. It is also in *Economica* that Polanyi published in 1941 an article titled "The growth of thought in society".
 74. Scott and Moleski (2005, 161).
 75. Polanyi had often expressed his support for the recommendations of the author of the *General Theory*.
 76. In 1956, Röpke expressed to the secretary of the Mont Pelerin Society his frustration with Polanyi's analyses, which he deemed too favorable to Tito's Yugoslavia and its economic system. Röpke asked Hunold to "submit the case" of Polanyi to Hayek—that is to say, contemplate his expulsion. But Hayek ended the controversy, staying on good terms with Polanyi (Solchany 2015, 367).
 77. Polanyi's understanding of science differed from that of Karl Popper, and even with regard to the concept of the "open society" Polanyi's understanding differed from Popper's.
 78. Possony (1938).
 79. Possony and Pournelle (1970).
 80. See Gerken (1958) and Hennecke (2005).
 81. For a clear analysis of the crisis of the Weimar republic and the constitutional aspects of the crisis, see Kennedy (2004, in particular 119–153).
 82. Solchany (2015, 190).
 83. See Röpke's chapter "Modern Mass Society" in Röpke (1960 [1958]).
 84. In a letter dated October 4th, 1938, shortly after the Walter Lippmann Colloquium was held, and traumatized by the Munich agreement, Röpke despairingly compared Chamberlain to Hindenburg, both having

- shown culpable weakness toward National Socialism. Cited in Solchany (2015, 122).
85. See Gregg (2010, 139) and Ebeling (2010, 192).
 86. White (2012, 243).
 87. The English translation of *Jenseits von Angebot und Nachfrage* was published under the title *A Humane Economy*.
 88. On the influence of Röpke and Rüstow in Germany, see Hahn (1993). On the social market economy in Germany, see Nicholls (1994). For an English translation of foundational texts related to the social market economy, see Wünsche (1982). See also Zmirak (2001), and Bonefeld (2012).
 89. Burgin (2012) and Hartwell (1995, 117–133).
 90. His grandfather, Jean-Claude Paul Rougier (1826–1901), author of a liberal treatise titled *La liberté commerciale, les douanes et les traités de commerce* (1878), had been the creator and first holder of the Chair of Political Economy at the Faculty of Lyon, and Vice-President of the association in Lyon titled *Société d'économie politique et d'économie sociale*, where Louis Rougier, decades later, held a conference in 1939 on “*L’offensive du néo-libéralisme*”.
 91. Rougier met Ferrero for the first time in 1929 and paid him a visit afterward in Florence, while the latter was under police surveillance by Mussolini’s regime. Regretting that the International Committee on Intellectual Cooperation did not respond with more zeal to help Ferrero, Rougier invoked the help of the French socialist Albert Thomas to persuade his old friend Mussolini to give Ferrero an exit visa. After his liberation in 1931, Ferrero taught at the *Institut universitaires des Hautes Etudes internationales* in Geneva, where numerous “neo-liberal” figures would emerge, among whom Rougier himself and Röpke, also a close friend and admirer of Ferrero.
 92. Rougier (1954, 103).
 93. Rougier (1938, 9).
 94. Rougier (1938, 34).
 95. Chivvis (2010, 18).
 96. Rueff (1931).
 97. Rueff (1934).
 98. Rueff (1935).
 99. Rueff (1958).
 100. Rueff (1938).
 101. Rueff (1958).
 102. Rueff (1979).
 103. Hence, Rueff wrote the preface to the French translation of Röpke’s *Jenseits von Angebot und Nachfrage*, and Röpke wrote the preface to the German translation of Rueff’s *L’ordre social*.

104. Rueff strongly supported the 1957 Treaty of Rome, whereas Röpke was a staunch critic of the treaty.
105. See Meier-Rust (1993).
106. Rüstow (1980, xii–xxii).
107. Solchany (2015, 170).
108. Schüßler (2009, 3–17).
109. He became a friend of Walter Eucken and maintained a correspondence with him.
110. The association founded by economists of the “historical school” favorable to “social” policies.
111. Audier (2012b, 133).
112. Rüstow (1980, xviii).
113. Rüstow (1950–1957).
114. See Hahn (1993). See also: Bonefeld (2012).
115. Vanberg observes that “the slightly interventionist, *outcome*-oriented flavor of the concept of the *social market economy* was much more reflective of the thoughts of Müller-Armack, who coined the term, and of Röpke and Rüstow than of the founders of the Freiburg School who advocated a strictly *procedural* and *rule*-oriented liberalism” (Vanberg 2004, 2).
116. Ritchey (2012).
117. Anon. [Van Zeeland, Marcel] (1937).
118. Audier (2012b, 107). On the important role of Ortega y Gasset and Francesco Saverio Nitti—two important authors for Rougier—during the 1930s, in the revision of liberalism and the promotion of a federal Europe (see Visone 2015).

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PART II

Translation of the Walter Lippmann
Colloquium

Foreword and Opening Lectures of the Walter Lippmann Colloquium

FOREWORD BY LOUIS ROUGIER

The idea of the *Walter Lippmann Colloquium* was prompted by the importance and the success of the work of the famous American publicist, *The Good Society*, translated into French, at the Librairie de Médecis, under the title *La Cité Libre*. The main ideas of this book corresponded to and amplified, in a surprising manner, [those] formulated around the same time in other works published in an uncoordinated manner and written by authors who, generally, never met, were concerned with different issues and hailed from highly varied intellectual backgrounds.¹ This non-pre-established harmony, this unconcerted concert, sketched the outline of a doctrine called by some “constructor liberalism” [*libéralisme constructeur*], referred to by others as “neo-capitalism” and for which use of the name “neo-liberalism” seems to prevail.

The author of one of these books, who is the author of these lines, took the initiative to gather these different authors, their colleagues and their friends around a discussion table, for the purpose of reviewing the trial of capitalism and to seek to define the doctrine, the conditions of creating, the new tasks of a true liberalism. Such was the origin of the Walter Lippmann Colloquium which was held in Paris at the International Institute of Intellectual Cooperation from August 26 to August 30, 1938.

This Colloquium led to the creation of the International Center of Studies for the Renovation of Liberalism, of which the head office is [located] at the *Musée Social*, 5 rue Las Cases, at Paris.

The Colloquium, having been improvised in a matter of days, was not originally intended for publication; it is why only the French- and German-language comments were recorded in typing in an approximately complete manner, in contrast to the English-language contributions.² In spite of this shortcoming, the discussions revealed themselves, in reading, to be sufficiently interesting and edifying to merit being submitted, even in a shortened form, to the public.

What these pages nevertheless cannot [fully] convey is the moral character of this Colloquium; its high quality, consisting of absolute intellectual sincerity, profound human meaning, and, at times, intense emotion. Each and every one knew that they were on the verge of dramatic events where the peace of the peoples and the fate of Europe would be determined; each and every one was impatient to assume their share of responsibility in the common work of recovery that was required. This was, without inopportune solemnity, truly a gathering of men of good faith, of good and free men, convinced that the ultimate chance for Western civilization lay in the return to liberalism rightly understood, it alone capable of ensuring the improvement in the standard of living of the masses, the pacification between peoples, freedom of thought, and the honor of the human spirit.

PROGRAM OF THE LIPPMANN COLLOQUIUM³

Friday August 26:

11 AM—Informal gathering of participants at the ICI
 3:30 PM—Opening of the congress: The reasons for the decline
 and return to liberalism
 Address by Louis Rougier
 Address by Walter Lippmann
 Adoption of the agenda

Saturday August 27:

- I. Is the decline of liberalism due to endogenous causes?
 9:30 AM—(a) As a result of the trend of the corporate
 concentration, the concentration of capital, and the formation of

agreements between producers [*ententes*]⁴; replacement of atomic capitalism by the capitalism of large units

3:30 PM—(b) As a result of the trend of economic nationalism (limitation of imperialist expansion, of demographic expansion, tendency toward autarky). A part of the discussion will focus on the economic problem of national security (the ideas of Possony).

Sunday August 28:

II. Is liberalism capable of fulfilling its social tasks?

9:30 AM—(a) Security. Does liberalism lead to structural crises or, at least, to crises of an intolerable scope, expecting a liquidation [of such crises] through the simple play of economic forces (as a result of the growth of assets, of increasingly widespread speculation, etc.)?

3:30 PM—(b) The vital minimum for all, given the difficulties of labor migration. Chronic unemployment; technological unemployment.

Monday August 29:

III. If the decline of liberalism is not inevitable, what are its true causes (exogenous causes)?

9:30—(a) Psychological and sociological causes

3:30—(b) Political and ideological causes.

Tuesday August 30:

IV. If the decline of liberalism is not inevitable, what are the remedies to draw from the analysis of its causes?

9:30—The Agenda of liberalism

V. Conclusions: Future action.

3:30—Creation of an *International Center of Studies for the Renovation of Liberalism*

Theoretical and practical problems. Closing of the Walter Lippmann Colloquium.

LIST OF THE MEMBERS OF THE WALTER LIPPMANN COLLOQUIUM⁵

Raymond Aron (France)
 Roger Auboin (France)
 Louis Baudin (France)
 Marcel Bourgeois (France)
 José Castillejo (Spain)
 John Bell Condliffe (Great Britain)
 Auguste Detoef (France)
 Friedrich von Hayek (Great Britain)
 Michael Heilperin (Poland)
 Bruce Hopper (United States)
 Bernard Lavergne (France)
 Walter Lippmann (United States)
 Étienne Mantoux (France)
 Robert Marjolin (France)
 Louis Marlio (France)
 Ernest Mercier (France)
 Ludwig von Mises (Austrian School)
 André Piatier (France)
 Michael Polanyi (Great Britain)
 Stephan Possony (Austria)
 Wilhelm Röpke (Austrian School)
 Louis Rougier (France)
 Jacques Rueff (France)
 Alexander Rüstow (Turkey)
 Alfred Schutz (Austria)
 Marcel van Zeeland (Belgium)

WALTER LIPPMANN COLLOQUIUM

Opening of the Congress

Afternoon session of Friday, August 26th

ADDRESS BY PROFESSOR LOUIS ROUGIER

The idea of the Colloquium that gathers us today arose, among the friends of Walter Lippmann, from a common sentiment of the extreme importance, the decisive importance, of his book *The Good Society*, translated

into French at the *Librairie de Médecis* under the title *La Cité Libre*. This book is not only a beautiful, lucid, and courageous book: it is a masterful book, a key book, because it contains the best explanation of the ills of our time. These ills are above all of the spiritual kind; they derive from a double confusion that has taken hold, bit by bit, of the spirit of the masses and the intellectuals. The first consists of the antithesis posed between socialism and fascism, socialism being considered the last safeguard of democracies in peril, fascism being considered the last trench of beleaguered capitalism. The second confusion lies in identifying liberalism with the Manchesterian doctrine of *laissez-faire, laissez-passer*. On the basis of this identification, one does not have great difficulty in proving that the democratic State can neither remain indifferent in the presence of the ills brought about by economic crises of great magnitude nor resist the claims of the masses that demand a minimum of vital security, so that liberalism appears nothing but a surpassed historical category. If liberalism is foreclosed, however, no other choice remains except the one we mentioned earlier: the one between socialism and fascism.

The book of Walter Lippmann demonstrates conclusively that socialism and fascism are two varieties of the same species. They proceed, one and the other, from the common belief that [it is possible] to bring about a society that is more just, more moral and more prosperous there where the selfish search for individual profit would be replaced by the altruistic satisfaction of the collective needs of the masses, by substituting for the market economy based on individual property and the pricing mechanism a planned economy based on partial or total State control of the means of production and on the bureaucratic decisions of a central body. Yet far from being more moral and more rational, such an economy could only be a blind, arbitrary, and tyrannical economy resulting in a great waste of economic goods and the lowering of the standard of living of the masses, because any possibility of conscious economic calculation would be denied to it. Economic calculation is based on the economic determination of prices in markets, according to the law of supply and demand, which presupposes private property of the means of production, and not on the political setting of prices by a central accounting body. The planned economy can only be an ordered economy following an arbitrary plan that substitutes for the normal ends of all economic activity—the maximum satisfaction of needs and tastes of consumers—extra-economic ends, diverting an enormous quantity of wealth from their natural destination to invest them in unproductive manufactures and services only intended to serve the politics of the party in power: armaments, police, propaganda,

bureaucracy, spectacular public works. Far from increasing human dignity and freedom, economic planning suppresses them, because instead of adapting production to consumption, it is consumers, workers, capitalists, chiefs of industry who must adapt to the *a priori* requirements of the plan. This is how forced labor, the rationing of consumers, and forced investments appear in planning countries. This is how the loss of freedom of transactions implies the loss of other freedoms: freedom to consume what you like, freedom of choice of employment and of residence, freedom of assembly and of association, freedom of thought and of expression, because one cannot allow the slightest suspicion against the excellence of the plan that pretends to impose a uniform scale of values, a definitive choice of ends and of means in domains where tastes and preferences are essentially individual and varied.

The moral drama of our era is, from then on, the blindness of the men of the left who dream of a political democracy and of economic planning without understanding that economic planning implies the totalitarian State and that a liberal socialism is a contradiction in terms. The moral drama of our era is the blindness of the men of the right who sigh with admiration at totalitarian governments all while laying claim to the advantages of a capitalist economy without realizing that the totalitarian State devours private wealth, brings into line and bureaucratizes all forms of economic activity of a country. And it is why the men of the left and the men of the right seem to join forces against liberalism which is not useful to any one of them, because liberalism simply aims to be useful to everyone, without the creation of monopolies or privileges. And it is why the men of the left and the men of the right strive, with an unimaginable common zeal, to dig the grave of democracies to make it into the bed of dictatorships.

The second merit of Walter Lippmann's book is to have shown that the liberal regime is not only the result of a natural spontaneous order as numerous authors of the *Codes of Nature*⁶ in the eighteenth century proclaimed; but that it is also the result of a legal order that presupposes a legal interventionism of the State. Economic life unfolds in a legal framework that establishes the system of property, of contracts, of patents, of bankruptcy, the status of professional associations and of commercial societies [corporations], money and banking, all things that are not facts of nature as the laws of economic equilibrium are, but rather contingent creations of the legislator. There is, therefore, no reason to assume that the legal institutions, historically

existing at the present time, are definitively and permanently the best suited to safeguard the freedom of transactions. The question of the legal framework best suited to the smoothest, most efficient and steadfast functioning of markets has been neglected by classical economists, and would deserve to be the subject of inquiry by an *International Center of Studies for the Renovation of Liberalism*. Being liberal is, thus, by no means being conservative in the sense of maintaining the *de facto* privileges resulting from past legislation. It is, to the contrary, being essentially progressive, in the sense of a perpetual adaptation of the legal order to the scientific discoveries, to the progress of organization and economic technique, to the changes in the structure of society, to the demands of contemporary conscience. Being liberal is not, like the “Manchesterian”, letting cars drive in all directions, following their whim, from which traffic jams and endless accidents would result; it is not, like the “planner”, fixing for each car its hour of exit and its itinerary; it is imposing rules of the road [*un Code de la Route*],⁷ all while recognizing that [this set of rules] is not necessarily the same at the time of rapid means of transportation as during the time of the stagecoach.

Today, we understand better than the great classics⁸ what a truly liberal economy consists of. It is an economy subject to a double referee [*arbitrage*]; to the spontaneous referee of consumers who decide among the goods and the services that are offered to them on the market at the whim of their liking through the plebiscite of prices; [and] to the concerted referee of the State that ensures the freedom, the steadfastness, and the efficiency of the markets.

Alongside this legal interventionism, is there room for an economic interventionism by the State? The word interventionism seems encumbered by an unfavorable prejudice: in and of itself, it is neither good nor bad. It is beneficial or harmful depending on the use that one makes of it. It is beneficial if it aims to re-establish free competition and the spirit of enterprise; if it results in un-jamming the blocked components of economic equilibrium. It is loathsome if it pretends to substitute for free competition and for the regulatory role of prices [a system of] bureaucratic planning without possible economic calculation.

On this subject, one of the questions we will have to examine is the following: which forms of intervention are compatible with the [market] pricing mechanism, which forms are incompatible with the laws of the market? Mr. Röpke and Mr. Rueff have endeavored to determine the criteria of such a distinction. We all know full well that, although tariffs do not break the balance of payments in international trade, the same is not

true of quotas and currency controls.⁹ Likewise, although free trade unions and voluntary *ententes* [business agreements] are compatible with the competitive economy, mandatory unions and cartels, endowed with regulatory power, are a different matter.

One can recognize a third merit in the book of Walter Lippmann: it is to reintegrate economic problems in their political, sociological, and psychological context, by virtue of the interdependence of all the aspects of social life. Pure economics reasons on [the basis of] theoretical models that entail simplifying hypotheses, always far removed from [the] vague and complex reality. Science cannot proceed otherwise. It begins with the analysis that consists of considering limited and isolated cases. But it should not forget that analysis is made only with a view to synthesis; it must, in complicating the hypothesis, in reintroducing the connections between the different groups of social phenomena, recover reality in its illogicality and its profusion. In starting from [the model of] *homo economicus*, who acts in a purely rational manner in the best of his interests, it has to uncover the man of flesh, of passion, and of narrow mind who suffers from a herd instinct, follows mystical beliefs and is never able to calculate the implications of his actions. It is not enough to say that the problem of unemployment would not exist if movements of labor were free, because today they are not [free]. It is not enough to say that in the long run an economic crisis, no matter how severe, will automatically disappear without any State intervention through the spontaneous tendency toward re-establishment of the equilibrium, if the masses suffer and do not have the patience to wait for the long delay of shock absorption of the cycles of great magnitude. What's more, one cannot return from a directed economy to a progressively more liberal economy except through an interventionism in the opposite direction, having as a goal the re-establishment of unforced equilibrium. In short, one should not be content to reason *in abstracto*: one has to accept the world as it is and study how, in spite of its foolishness, one can try to improve it.

* * *

As such, we have an obligation to resolve two preliminary questions before addressing the *Agenda of Liberalism*:

The first is the classical question: *is the decline of liberalism, apart from any intervention by the State, inevitable owing to the very laws of its own development*, as the Marxists maintain, as well as a number of excellent

minds who claim to not be indentured to Marxist obedience, who are not doctrinaires, who are practitioners of everyday business life, and who wish to hold on to the pure and simple observation of their professional experience.

The second preliminary question is as follows: *can economic liberalism meet the social demands of the masses?* These demands have existed at all times; but, as a result of the tremendous growth of the European and American population in the nineteenth century, as a result of the spread of education, as a result of new professional solidarities, [these demands] have suddenly attained a clear and vigorous consciousness of themselves. The masses demand, unabated, a minimum of vital security [*sécurité vitale*]; this means bringing to the fore the problem of crises and the problem of unemployment. It is certain that chronic unemployment is, for the most part, the result of unemployment insurance. Should we make do with this observation and not seek how to solve it [unemployment] by means other than eliminating this insurance, by resorting to professional re-training, for example, if it is the case that the masses will never revisit the principle of social insurance? In short, *can liberalism meet the social demands of today's world?* Because that which attracts the masses to the totalitarian states, there is no doubt about it, is the false belief that the planned economy can guarantee them a vital minimum, even if this minimum is a food bowl, a barrack, and a uniform. The masses are willing to abandon their freedom in the hands of the one, chief or messiah, who promises them security.

A particular case of the problem of security is that of national defense. If there were no economic boundaries between peoples, this problem would no doubt not arise. But it is a fact that it exists. What is the classic argument then worth: the presence of autarkical States, in the heart of Europe and the totalitarian character of modern warfare, oblige pacifist democracies to plan their economies with a view to preparing for defensive war? The presence of Mr. Possony among us will be valuable to discuss this argument and to show us to what extent we should or should not imitate in that [matter] our dangerous neighbors.

It is only after having resolved these two preliminary questions that we will be able to address the proper tasks of what one can call *positive liberalism*; that we will be able to take stock of the theoretical and practical, strategic and tactical problems, that the return to a revised liberalism that is simply the return to the state of civilization presents. It is only then that we will be able to reach practical, effective solutions.

Because it is important to reach practical effective conclusions. It is important to succeed [in this task] by virtue of the second sentiment that justifies our presence here. This sentiment is that of our responsibility as intellectuals. The underlying reason for the drama of our era is, according to a famous formulation by [Julien] Benda, the treason of the intellectuals [*La trahison des clercs*] (Benda 1927). Never have intellectuals betrayed as much as in our day. Never have they shown themselves more eager to don furs of a different color like the chariot racers of the Hippodrome of Byzantium. In Russia, they teach that everything is explained by the class struggle leading, by virtue of the messianic laws of dialectic materialism, to a classless society that will be the advent of the Kingdom of God; in Germany, they teach that everything is explained by the struggle between the races and the mystery of blood that must lead to *Volkstum* and to zoological wars, as Ernest Renan wrote already in 1871 to Strauss; in Italy, they teach that everything is explained by the will to power (“*volonté de puissance*”)¹⁰ of States that gives rise to the creation of empires and their fateful conflict. Never has the word of Pascal become so current: *truth on this side of the Pyrénées, error on the other side* [*vérité en deçà des Pyrénées, erreur au delà*]. Even the intellectuals who denounce with the utmost harshness the misdeeds of the politicization of culture in totalitarian States betray the cause they profess to defend by the support they bring to extreme parties in their own homeland¹¹; they denounce the crimes of Hitlerism and Fascism, but are silent on the trials in Moscow; in wanting to socialize the economy and in unleashing revolutionary trade unionism, they weaken the front of democracies and play into the hands of dictatorships, so well that the best allies of tyrannies are often those who proclaim themselves to be their staunchest adversaries.

Being an intellectual [*clerc*, scholar] who does not betray, gentlemen, is not to have paid one's debt [to society, *être quitte*] when one has accomplished his academic task, his task of scholar and of professor. It is taking his share in the ills of his time; it is to enter the messy fray to fight there with the weapons of the mind; it is being an activist, it is fighting for the safeguard and the renovation of the only economic and political system [*régime*] compatible with spiritual life, human dignity, the common good, the peace of peoples, and the progress of civilization: liberalism. We should interpret the old adage: *primum vivere deinde philosophari* [live first, philosophize later], not as justifying the abdication of thought in the face of economic necessities and political constraints, but as the duty, before any other duty, to specifically create the material, economic, and political conditions that alone ensure the rule of free thought. And that is why we are here.

ADDRESS BY WALTER LIPPMANN

I

Each week, the United States Supreme Court meets to deliberate, before rendering its judgments. The custom is that in these deliberations the Judge with the least seniority speaks first, and the Judge with the most seniority last. It is, irreverent people say, because the more senior think more slowly. But those who know more about the matter reply to them that inexperienced judges are only so quick to speak because they possess less knowledge.

Whatever the case may be, this excellent custom will apply to the meetings in which we will have to discuss the problems that pose themselves to ensure the maintenance, the defense, the permanence, and the progress of a society of free men. I am happy to take the floor at the first session, and to be able, in this way, to express the gratitude that I owe to so many among you who will speak after me.

From the outset, we come up against a brutal fact: the century of progress toward democracy, toward individualism, toward economic freedom, toward scientific positivism, ended in an era of wars, of revolution, and of reaction. It is why I am of the opinion that we will not accomplish anything if we let ourselves think, and if we give the impression, that our goal is only to reaffirm and to resuscitate the formulas of nineteenth-century liberalism. It is clear, to me at least, that freedom would not have been annihilated in half of the civilized world, so seriously compromised in the other half, if the old liberalism had not possessed critical defects. This old liberalism, let us not forget, had been embraced by the classes in power of all great nations of Western civilization. Certainly, under its reign, great things have been achieved. But it is also true that this philosophy showed itself incapable of surviving and of perpetuating itself. It has not been able to serve as a guide to the conduct of men, either in showing them the means of realizing their ideal or in teaching them to pursue a realizable ideal. And I do not see a way to conclude other than to observe that the old liberalism must have been an agglomeration of truths and falsehoods, and that we would waste our time if we imagine that defending the cause of freedom is equivalent to hoping that humanity returns naively and without reservation to the liberalism of before the war [World War I].

To imagine that would be to believe that there is nothing more to do except to reaffirm, expose, teach, popularize a body of known truths, then wait, as patiently as we can, for men to acknowledge these once again. It

seems to me that thinking in such a manner is not only to bring no contribution whatsoever to the solution of the big problems of humanity but also to deny the very existence of these problems. One could, for example, demonstrate with irrefutable evidence that all would go for the better if living men acted as economic men in economic life, as citizens of a democracy in political life, as humanists in social life. But a demonstration of this type, based on hypotheses that are the result of an abstraction, is not useful and necessary except as an intellectual exercise. If one wants to consider it as a rule of conduct, an abstraction of this type only makes one assume that the problem is resolved; it distorts the crude facts in order to justify the desired conclusion.

It is clear that there would not be a social problem if we already knew how to solve it, and this is why I say that the first task of liberals consists today, not of creating presentations and propaganda, but of seeking and thinking. In the presence of the debacle of nineteenth-century liberalism, it would be futile for them to calmly await the resurrection of Mr. Gladstone, and to believe that their mission consists in repeating the formulas of the last century.

Their mission consists not in repeating the formulas but in examining anew the fundamental principles (implicit and explicit) of the type of life to which Westerners have aspired, of the civilization that they have endeavored to create. I have the impression that, in all countries, this major inquiry has already begun, and that a gathering such as this one is just one of the manifestations of the fact that men are beginning to be aware that they are obligated today to undertake a fundamental revision of all their ideas. Because it is inconceivable that an upheaval that threatens to destroy the entire structure of civilization not provoke such an inquiry. The challenge is total, and all the men are totally the subject of it. It addresses itself to religion, to all of religion, to science, to the whole of Western culture, to the conception of law itself, to the essence of property, to initiative, to work, to invention, to creation, to the individual, to all faith, to all charity, and to the inviolability of the human person.

We have the right to suppose that the inspirations and the energies that, from humanity's original barbarism, have brought forth religion, science, law, property, free labor, charity, and human respect, could not be erased by a new barbarism, no matter how ferociously methodical it may be. Otherwise humanity would always have remained subject, in a docile stupor, to triumphant tyranny. But one has seen men awaken from their docility and their terror. In twenty-five centuries of struggle, men have

cleared a path through oppression to achieve the first elements of a free civilization. I do not know what has given them the will to desire, to imagine, and to achieve a free civilization. But, whatever it may be, this hidden cause must always be present; it is always a thing that one has to reckon with because it is inherent in human nature. Despite all inertias, all hostilities, the civilizing energy has matured for more than 2000 years; it cannot be erased in ten years. And I believe that we have proof of it. Because the longer despotisms last, the more they are forced to reveal themselves constantly and ferociously [as] oppressors. Why? Why do they never reach the state of being able to reign with confidence over their subjects? Because they are incapable of annihilating the momentum [*élan*] that has created the civilization, they seek so hard to destroy. Thus, they admit their failure each time they worsen their intolerance.

It is why we know that what concerns us is something more durable, more universal, and more profoundly human than the doctrinaire formulas of nineteenth-century liberalism. And it is why we err every time we adhere to one of the numerous liberal sects. Every time we confuse the cause of freedom with doctrines such as that of natural law, that of popular sovereignty, the rights of man, of parliamentary government, the right of self-determination of peoples, of *laissez-faire* or free trade. Those are concepts that men have used at certain times and under certain historical circumstances. Often, they have served to forge and to gain a partial emancipation. But they have not been the primary cause or the driving force, and the fate of freedom is linked to none of the liberal theories. It is why we should reserve ourselves the right to revise the premises of all liberal theories, and to grant none among them a dogmatic and definitive value.

Because that which we seek [to do] is not to resuscitate a theory, but to discover the ideas that permit the momentum [*élan*] toward freedom and civilization to triumph over all the obstacles resulting from human nature, historical circumstances, the conditions of life on this earth. It is a long-term task that requires sustained efforts, sustained support, and the noble patience of those who sincerely and humbly seek the truth. Before it is achieved, humanity will go through, I believe, a very profound and vast religious experience: it will have to evaluate science and its relationship to philosophy and morality anew, it will have to revise the idea of the State, of property, of individual rights and the national ideal. Civilized men will have to submit the conceptions they found novel before the war to new scrutiny, determined as they will be to discover those that are and those

that are not compatible with the vital needs and the permanent ideal of humanity. It is to these vital needs and to this permanent ideal, and not to the doctrines of the nineteenth century, that one should refer to, so as to undertake the reconstruction of liberalism. Let us also seek not to teach an old doctrine, but to contribute within our means to the formation of a doctrine of which none of us has more than a vague notion at the present moment. And we should think of liberalism not as a thing accomplished in the olden days and dated today, but [rather] as something not yet achieved and still very young.

II

The general characteristics and the domain of intellectual work to accomplish seem indicated by what we know today about the totalitarian States: Communism, National Socialism, and Fascism. All three totally attack all of the traditions of Western civilization, and do not push aside a few principles but all of the essential principles and the determining institutions of our culture. They deny the existence of any rule, of any unit of measure, legal or ethical, that could or should limit or guide the arbitrary nature of a nation, of a race, or of a class. They deny that there are means that are not justified by the ends that they themselves choose arbitrarily. They deny the existence of any obligation of truth, of justice, or of charity linking all men. They will not be satisfied only with violating all these ethical rules. They deny that these rules have any value, or any claim to the respect of humanity.

It is why their policies also disregard the law entirely, in the exact sense of the term. That is to say they deny that a law, in order to be valid, must emanate from a duly constituted authority; that a law, [in order] to be respectable, must have some clear relation to moral justice; that the laws must be applied [while] respecting due process, and equitably. They ruin the law in its foundations and in its application, in its principle and in its practice, and replace the rule of law with the arbitrarily improvised commands of a temporarily dominant oligarchy.

They have rejected the principles of law, and have as a result overthrown the principle of the State in all its forms, monarchical, aristocratic, parliamentary, and democratic. Indeed, all the civilized States of the Western world have acknowledged their responsibility to a superior authority transcending the personal will of the governing: to God, to tradition, to ancient customs, to a constitution, or to the free consent of at least a part of the population.

Having rejected the principle of law and the responsibility of the State, having acquired the monopoly of physical force, the totalitarian States have created a situation in which no individual, no association of individuals, no institution has in principle, and cannot have in practice, the least independence or the least security. In this way Churches, even when they are protected, are not tolerated by a right but only by reason of State. They are thus deprived of the inalienable security that an established and autonomous [legal] status provides. Education, study, science, and thought are not only deprived of all independence, but they are directly and openly subordinated to the ends of the ruling class, and no idea is adopted as a result of its consistency with objective truth. The totalitarian State disregards [private] property, because property is a creation of law and there is no law. To a certain extent people are authorized to keep a certain control over some of their goods; but these goods are not their property, because they are at all times, and at each moment, at the disposal of the authorities. The totalitarian State disregards the right to dispose of one's work because the time and the energy of each [individual] can at any moment be arbitrarily requisitioned. The totalitarian State disregards, in principle, the family, because the State reserves unto itself the right to seize children, to separate families by conscripting parents, to determine arbitrarily the law of succession and of inheritance, without notice, without discussion, without administrative formalities, and without judiciary procedure. The totalitarian State disregards the right of individuals to associate voluntarily to help one another, to collaborate, to instruct, to distract, or simply by friendship, because in all totalitarian States the right to associate is subject to surveillance and the intrusion of the secret police, and all association, whether it involves an organized group or simply a friendly meeting, finds itself split up by fact of the official encouragement given to informers, spies, and informants.

I recall these phenomena that are well known to all, and to you especially, so as to emphasize that the totalitarian rebellion of our time is not only directed against nineteenth-century liberalism and democracy. It attacks the sum total of the tradition of the Western world, its religion, its science, its law, its State, its property, its family, its morality, and its notion of the human person. But I insist on emphasizing especially that this attack threatens a common ruin to all sorts of interests that, until now, were considered separated by irreconcilable differences [*oppositions*]. Today we are confronted with an extraordinary sight: theologians and scholars, believers and non-believers, Catholics, Protestants, Jews and free-thinkers,

monarchists, democrats, managers and workers, in sum all the parties, all the factions, all the sects, all the interests of which the antagonisms have posed problems the two past centuries, are forced to recognize that if they do not find common ground in defense against the will of totalitarian States to dominate, they will all be ruined together.

That should teach them that the disputes and the divisions they have had for such a long time do not derive from irreconcilable conflicts, but from their intellectual inability to discover the principles of unity that conceal their apparent disagreements. These principles of unity do exist, however, and one will be able to discover them one day: the proof of it lies in the fact that totalitarian philosophy attacks each of these diverse interests in its vital center. In the totalitarian system, there is no more room for the theologian than for the scholar, for private property than for free labor, for aristocracy than for democracy. And if all these diverse interests must today defend themselves together, it follows they must implicitly hold in common many of the things that are worth defending.

That, I believe, is the great mission of contemporary thinkers: uncover and formulate, make explicit that which civilized men hold in common, that which men, seemingly holding such different biases and opinions, find today necessary to defend together. A great work of analysis of the old conflicts and the old confusions will be necessary so as to build a great synthesis in which all the permanent interests of civilized humanity will find their rightful place and rank. The world that we have known before the war is dying of its confusion and its incoherence. But in the agony that it goes through and has yet to go through, the civilized world can only seek and find a universal philosophy that, by its total humanity, will be able to maintain the tradition of civilization in spite of a totally inhuman enemy.

III

Some among you may deem all of that to be far removed from the immediate political questions confronting [us] in our time. I do not apologize for this, because I am profoundly convinced that this revision of human ideas, that this analysis and this synthesis that we will call the reconstruction of liberalism, is the necessary discipline, the indispensable experience in which the vital energies of the civilized world must unite in order to defend themselves against the danger that threatens them. That which my friend Professor Rougier calls the *mystiques* of the totalitarian regimes is a

thing that makes human wills profoundly dynamic. Resistance requires an even greater willpower. That which can bring about, and which in my opinion already brings about this willpower, is the growing conviction that civilized men hold that the essential elements of human life are at stake. I believe that the spiritual energies of the resistance, like the material resources of the threatened nations, are ultimately infinitely stronger. Because these are all the energies that have made modern civilization. They will be able to be united when their common requirements will be displayed, and this enlightenment thereby takes on an immediate and urgent practical importance.

But I must go further, and declare that even if the world were capable of listening to the teachings of the liberals, the liberals will not be ready to guide an action so long as they will not have revised and reconstructed their philosophy, so long as they will not have discovered a new synthesis reconciling antitheses as clear as the one that exists between individual freedom and popular sovereignty, between order and freedom, between national sovereignty and international security, between the power of majorities and the continuity of the State, between stability and change, between private property and the public good, between freedom and social organization. So long as the diagnosis is not more precise and more complete, the remedies that the liberals will be able to suggest will be little more than improvisations. Let us, therefore, recognize our ignorance, but let us not discourage ourselves under the pretext that we need to profess humility.

Furthermore, even if we were certain of the remedies identified by liberal philosophy, they would be applicable with difficulty to today's Europe, and would be only partly applicable to America. Because the fact that dominates the contemporary world is that all the nations are obliged to prepare themselves for a war that can break out at any moment. And it is undeniable that any liberal society, whatever it may be, implies a very great confidence in the maintenance of peace. It is impossible to conceive of a liberal society in which the dominant political preoccupation is the mobilization with a view to war. When this preoccupation exists, there can be no freedom of property or of labor, it is impossible to treat matters based on faith in the given word and on credit, nor [is it possible to] conclude long-term contracts, and there can be no relations that depend on the good will of another.

In times of war, there is no freedom, and the more preparation for war intensifies, the less freedom there can be. It is why, as long as the prospect of war continues to dominate our lives, everything is the function, not of

the well-being of free men, but of the military needs that are incumbent on them to prepare for their defense. Let us not be surprised, and let us not complain any further, when we see threatened countries accept an ever-greater number of constraints inherent to a war economy. Certainly, we have the right to criticize certain specific measures that seem to us counter-productive, that are stupid, or that are taken on the basis of selfish interests instead of the national interest. But we have to ask ourselves if it is possible to organize a war economy under free trade principles. If we believe that a defensive war can be imposed on Europe, perhaps on the world, we must, until this crisis is resolved, frankly admit that we are in the midst of organizing for war and not for a type of freedom that is possible only in peacetime.

Furthermore, I am of the opinion that the people whose preconceived notions are liberal are in a position to bring an important contribution to the organization of the defense. Because they understand better than the adherents of any other ideology the essential difference in principle that separates the military State from the liberal State. That is why they have to distinguish very well between measures that truly constitute a preparation for war and those that, under a military camouflage, are just intended to enrich profiteers.

IV

I do not know if I have made myself understood. If I am not, it is because it is the first time that I try to do what I have done today, namely to formulate, even if it were only for myself, that which I believe to be the duty of people such as those who have gathered here, at this time. It is enough for me to have given you an overview of my beliefs, that is to say the idea that the liberals have as [their] mission not to lay out the doctrines of which the theory was completed in the nineteenth century, but to take part in a vast revision of human ideas and to play their role in a decisive struggle for the defense of civilization, in re-establishing order in the minds of men so that they may formulate their individual wills¹² clearly.

DISCUSSIONS

Mr. Baudin—I am struck by the fact that Messrs. Rougier and Lippmann have spoken of liberalism by donning this word with a special nuance. Liberalism, for them, is not that of yesterday; it will be that of tomorrow:

a calmer, revised, renovated liberalism. We give ourselves much trouble in changing the meaning of an old term and we can ask if it is not preferable to choose another one.

A correct definition is a proposition in which the attribute expresses the essence of the subject; freedom, however, is only a means whereas the end is a certain notion of the development of the human personality. *A priori*, the word liberalism does not seem very fortuitous.

One will object, no doubt, that it is necessary to create an antithesis between liberalism and socialism, the latter being defined, according to several economists, as the putting in common of the means of production in an authoritarian manner. But, here again, the definition of socialism seems inadequate, because there are in this doctrine many other ideas that dominate and command the putting in common and coercion: primacy of the collective in relation to the individual, of reason in relation to nature, idea of claims against injustices, aspiration to equality as a matter of result, etc. The putting in common and coercion are corollaries.

The fundamental antithesis consists of the opposition between individualism and socialism, as the words themselves require. Liberalism, which pushed to an extreme becomes anarchism, has as its opposite interventionism, which when exaggerated leads to statism. To me, therefore, the word individualism seems preferable to the word liberalism.

Let me also add that freedom, being a means, can be viewed as desirable only to the extent that the goal can be reached, that is to say the extent to which man is capable of making reasonable and moral use of it. We can support the argument that we have to limit freedom by giving to certain employees or workers a payment in kind rather than a payment in money so as to take away from them the free choice in their purchases. One will ensure them, for example, sanitary housing when the salary in money would have been spent at the café or at the cinema. There is, therefore, something that subsists beyond freedom and for which one must strive: the individual himself. We must seek to save this individual from the threatening grip of the mass.

Last argument: we can specify all we want the meaning we will give to liberalism, but the word will keep the meaning that people put on it. We will, like it or not, be deemed Manchesterians, and people will view us as disciples of [Frédéric] Bastiat, even of Yves Guyot or of [Gustave de] Molinari. Liberalism, for many, is the *laissez-faire*, *laissez-passer*, and one adds the let suffer [*laissez-souffrir*]. Without wanting to be opportunistic, I think that this worn-out word is dangerous. I would prefer, in taking

individualism as our banner, placing ourselves in the shadow of the great classics [*les grands classiques*]: Adam Smith, J.B. [Jean-Baptiste] Say and [John] Stuart Mill.

To summarize, I think that the idea should be placed before the fact, man before object: people reproach political economy enough of being inhumane! We should center the question on the individual rather than on freedom, and if we adopt the word liberalism, to do so only on a provisional basis while reserving ourselves the right to modify it at a later stage. It is a matter of both logic and opportunity.

Mr. Rougier: The term “liberalism” is more restrictive, in my opinion, than individualism. The anarchist invokes the sacred nature of the individual, of “the Unique and his Self” (*l’Unique et son Moi*¹³) to jeopardize the liberties of other individuals: he is not a true liberal. Liberalism implies the respect of a legal order that makes possible and manages the coexistence of the liberties of all the individuals of a society.

Mr. Mises: The problem appears differently in different languages. It is appropriate then to take into account the political situation of the various countries. It would be extremely unfortunate if the abandonment of the term liberalism could be interpreted as a concession to totalitarian ideas.

Mr. Marlio: In my view, the word liberalism is the right word and that of “individualism” would not correspond to that which interests us today, the problems that occupy us having also a political character. The political term has to be associated with the economic term.

What could be discussed, and what should be discussed, is the question of knowing whether the doctrine that will emerge will be adequately categorized by a single word or if it will be necessary to add another word that will display the nuance of the liberalism that we have in mind. It will only be at the end of these debates that we will be able to know if it is necessary to add another word. The basic idea is indeed liberalism and there is the word that responds to the concerns that make one believe that the totalitarian regime is not a good regime.

Mr. Castillojo: The word “liberalism” is a Spanish word. It means: liberation against absolutism. Absolutism, when the word “liberalism” was invented in the nineteenth century, meant a monarchy without constitution, an arbitrary monarchy and without law. Liberal was then the contrary of “servile”. But when a democracy becomes absolute and when the law is but the arbitrary will of a majority, liberalism is forcibly anti-demagogical and coincides with individualism.

Mr. Hayek: The problem is knowing if that which one refers to today by the word liberalism matches our aspirations well.

Mr. Detoef: Should we build on this idea? We should dedicate a first session to the study of liberalism such as it has functioned in reality, so as to judge whether or not this system has ensured the greatest degree of well-being.

Mr. Marjolin: The word freedom lends itself to ambivalence. None of us is in favor of freedom in and of itself, especially when it ends in the crushing of the weak by the strong. If we are liberals, it is because we think that freedom must make it possible to realize certain values. The essential concerns that guide us today are twofold:

1. Achieve the maximum of social justice;
2. Defend France against external aggressions

For me, this last concern takes precedence over all the others. And it does not seem certain to me that one should not renounce certain forms of freedom so as to ensure the effectiveness of national defense and the success of the inevitable war. Likewise, I would not want one to sacrifice the possibility of new social progress to a formal freedom. In one word, it seems dangerous to me to consider freedom, understood in the prevailing sense of the term, as the supreme value.

Mr. Mantoux: The observations of Mr. Marjolin show to what point our Colloquium will be able to be useful, to what point it has become necessary to make known to the public the true meaning of liberalism. It is astounding that so wide a political philosophy that only interprets the progress of human freedom through the centuries is associated today in the public mind, by way of a historical accident, with the doctrine of a small sect of economists of the nineteenth century. Thus, because one condemns the ideas of Dunoyer and Spencer, one believes in condemning freedom as such. It is evident that for a liberal, freedom is an end in and of itself, if one understands by that the possibility, for every individual, of realizing his full potential. It is obviously only an inaccessible ideal, but the goal of every liberal political doctrine must be to discover the methods that will allow reality to be brought as close to this ideal as possible for the majority of men. The meaning of the word freedom is evidently universal. As long as it will remain associated with a certain conception of political economy, any discussion of liberalism will be impossible.

Mr. Rougier: We cannot enter the discussion on the Kingdom of Ends [*règne des fins*¹⁴]. For some, freedom possesses an absolute value, for Mr. Marjolin it has only a relative value. The specific subject of our discussions is as follows: “Liberalism has been put on trial: are there grounds for reviewing the findings this trial has resulted in?”

Mr. Rueff: It is not enough to look into whether the criticisms made are justified or not; one of the essential aspects of our task is to see if the system [*régime*] that refuses to accept the rules of the liberal order is likely to last.

The technical problem is knowing if the systems [*régimes*] that are not founded on the free play of the [market] pricing mechanism can last.

For me, a system [*régime*] founded on an authoritarian dirigisme is unlikely to last; it goes toward an end. None of the totalitarian systems are in a permanent state; they all move toward a certain end.

As for the name.—I am hostile to the word “neo” that has been proposed. If it is our conviction that our effort should aim to restore liberalism, as a permanent basis of economic and social systems, we have to say it in full light of day, in the most provocative form. The only problem in the world is knowing whether we go toward liberalism or not, and we must show it clearly.

Mr. Detoeuf: An important point. In my view, the word liberalism has become the equivalent of Manchesterism. However, we are not all Manchesterians. The idea of justice coexists among some of us with the idea of freedom and differentiates them from Manchesterian liberals. The end of liberalism¹⁵ is for me the end of the system that insists that the dogma of “laissez-faire, laissez-passer” is sacrosanct; yet the abandonment of this system is not the end of liberalism as Mr. Lippmann conceives of it.

Mr. Marlio: I agree with Mr. Detoeuf. For those who are less knowledgeable of liberal doctrine, Mr. Lippmann has established with clarity and forcefulness that one had given an improper meaning to *laissez-faire*. *Laissez-passer* [let pass, let through] did not mean doing nothing, but rather meant to act. For many ill-informed people, that means doing nothing. From the moment that the formula of *laissez-faire* was poorly understood, it is good that we indicate this by declaring that the liberal attitude is not only that of crossed arms; that is the essential fact. At the end of the debates we will see if the word liberalism is sufficient or if it necessary to add an adjective to it.

Mr. Rougier: The theory of *laissez-faire*¹⁶ was originally a doctrine of action. It consisted in wanting to overturn the regime of corporations and

internal tariffs. It is later and through a real error that it became a theory of social conformism and the abstention of the State.

Mr. Heilperin: What do we want to discuss? This gathering is a gathering of economists. Mr. Lippmann's book raised the question: "Given that a certain economic order reigns, what is the most appropriate system for developing it?"

The core of the problem is economic. If we want to speak of all its aspects, we would strongly risk not reaching conclusions.

Therefore, general limits: problem of the economic system, role to play by the State in the framework of this economic system, place of the individual within this economic system.

There are several modalities [*modalités*] to this economic system. The [market] pricing mechanism is the criterion that must serve to define the liberal system. That should be the point of departure of our discussions. The word liberalism has always been associated with this type of economic system. We therefore need to limit our discussion to the economic system, to its emergence, to the goals that can be assigned to it.

Mr. Rougier: The criterion of liberalism is that of the free play of prices. Mr. Heilperin is right indeed to ask the question. The best is to enter tomorrow into the heart of the discussion.

NOTES

1. In particular: Walter Lippmann, *The Good Society*, 1938; Ludwig von Mises, *Socialism*, 1938; L. Robbins, *Economic Planning and International Order*, 1938; Louis Rougier, *Les Mystiques Economiques*, 1938, Librairie de Medicis; Bernard Lavergne, *Grandeur et Déclin du Capitalisme*, 1938, Payot; Louis Marlio, *Le Sort du Capitalisme*, 1938, Flammarion; Jacques Rueff, *La Crise du Capitalisme*, Editions de la Revue Bleue, 1935. (These references all pertain to French editions —Ed.).
2. In particular, the very interesting comments of Professor F. von Hayek could not be reconstituted by him from memory.
3. This is the translation of the original program, but the actual sessions were held in a different order corresponding to the Table of Contents (see above).—Ed.
4. An *entente* refers to agreements between two or more businesses to limit production, limit competition, harmonize prices, or otherwise influence the market. An *entente* can be licit or illicit depending on its particulars, and the existing legal framework —Ed.

5. All affiliations are here reproduced literally from the original transcript, including Röpke's (incorrect) affiliation as "Austrian School".
6. This is an allusion to the liberal French "Physiocratic" doctrine. In *Les Mystiques économiques*, Rougier had criticized the metaphysics of "laissez-faire, laissez-passé", and emphasized that the Manchester School was the heir of it, extending its errors. —Ed.
7. In France, *le code de la route* is the set of laws governing the rules of the road. This is an allusion by Rougier to the "Code de la nature" of the liberals of the Physiocratic School, to which the "Code de la route" constitutes an alternative model. —Ed.
8. "Les grands classiques": the classics, not only in the sense of "ancients" but in the sense of the greatest thinkers of economic liberalism —Ed.
9. "Currency controls" can also be translated as "foreign exchange controls".
10. This is an allusion to the concept of Friedrich Nietzsche, "*wille zur macht*", then often alleged to have inspired fascism and National Socialism. —Ed.
11. This is a likely allusion to Julien Benda who developed in the 1930s toward the side of the communists. —Ed.
12. "Will" here refers to the mind, not to a testament —Ed.
13. This is a non-textual allusion to the title of a book by Max Stirner, *Der Einzige und sein Eigentum* (1844, though dated 1845), *The Ego and Its Own*, translated into French under the title: *L'Unique et sa propriété*. The German philosopher Max Stirner would inspire a whole anarchist individualist stream of thought, highly active in France —Ed.
14. A classic formulation of moral philosophy that often translates Immanuel Kant's formula, "Reich der Zwecke". —Ed.
15. This is an allusion to the lecture of Auguste Detoeuf to the "X-Crise" group in 1936, titled "La fin du libéralisme" —Ed.
16. Here the infinitive form is used —Ed.

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Is the Decline of Liberalism Due to Endogenous Causes?

Morning session of Saturday, August 27th

Mr. Rougier: The question on the agenda is as follows: is the decline of liberalism inevitable as a result of the trend towards corporate concentration, the concentration of capital, and the formation of corporations; of the replacement of atomistic capitalism by the capitalism of large units? Is economic concentration a necessary effect of economic development or the result of legal privilege? That is what we have to discuss.

Mr. Röpke: The tendency towards economic concentration and, as a result, towards State control [*étatisation*] of businesses is mainly attributed to the development of technology and mechanization. Technology develops as fixed capital increases, that is as the general cost increases each day; it is a development that excludes the mechanism on which the philosophy of liberalism has been built.

Companies become larger, the number of competitors becomes smaller, and the price calculation becomes increasingly arbitrary. One can distinguish between the interior prices and the exterior prices of a country; one can choose between a price comprising a large and a small part of the fixed cost according to the requirements of competition. This tendency toward large companies brings about the monopoly.

It has been said that the monopoly was not the creation of man, but the creation of some technical tendency. It has been said that it was utter folly to fight this trend. It is one of the most serious arguments and it is why this question has been put at the top of the discussion.

One has to distinguish between this natural tendency and the arbitrary creations of man, that is to say the laws, the customs, that one can always revise.

Old liberalism was based on the state of liquidity of the economic process. The units were then so small that there was no bloc in this whole. It is the reverse of what happens at present. The economy has solidified into compact blocs. Automatism [*l'automatisme*] no longer exists; it is the State that has regulated everything. We are on the march toward statism [*étatisme*].

Mr. Mises: According to an already old notion, the organization of industry into cartels allegedly proved the reality of the Marxist thesis of capitalist concentration. But in Marxist doctrine, the concentration results from the free play of economic forces, whereas the development of monopolies has in fact been brought about by an interventionist economic policy. Protectionism has parceled up the economic system into a multitude of distinct markets, and in reducing the size of economic units, has brought about the creation of cartels. Protectionism cannot have effective results on a national market, where production already exceeds demand, except through the creation of a cartel likely to control production, sales abroad, and prices. It is in the wake of the State adopting protectionist measures that existing cartels developed in the various industries in question.

In a number of cases, even this intervention of the State was insufficient, in and of itself, to bring about the creation of cartels. The State has, through special laws, had to force producers to group themselves into cartels. It is what took place, for example, in three especially important branches of German industry: those of coal, iron, and potash. It is, therefore, impossible to maintain the thesis that the rise of cartels was the natural result of the action of economic forces. It is not through the free play of these [market] forces that these cartels arise, but only through the intervention of the State. It is thus an error of logic to want to justify the intervention of the State in the economic realm by the need to prevent the formation of cartels, because it is precisely the State that through its intervention has brought about the creation of the latter.

The issue is not different for international cartels. We leave aside the few cases (and of limited scope) where natural resources of minerals create, because of their rarity, conditions favorable to the establishment of monopolies. Apart from these exceptional cases, international cartels have only been able to form by the parceling up of global economic unity through trade barriers. It is clear, on the other hand, that it is precisely

governments that were the driving force behind the creation of international monopolies. We are well aware of the measures taken by different governments in the markets of coffee, rubber, grain, cotton, etc. The failure of these governmental measures proves better than any other argument the accuracy of the thesis that I support, namely that no force leads, on a free market, to the creation of monopolies.

Twenty-five years ago, people attempted to justify the nationalization of railroads by the fact that their operation constituted a monopoly. Today, however, the situation has completely changed in this regard. Technical progress has created dangerous competitors to the railroads: the highway and, to a certain extent, the airplane tend currently to supplant the railway.

The abundant evidence gathered in the United States on the abuses of monopolies shows the illicit means used by certain companies for the purpose of ensuring exclusive control of the market; but the very fact that these companies have resorted to illicit means proves precisely that the capitalist system does not constitute a favorable field for the natural development of monopolies.

It is not the free play of economic forces, but the anti-liberal policies of governments, that has created the conditions favorable to the establishment of monopolies.

It is legislation, it is policy, that have created the tendency toward monopoly.

Mr. Detoeuf: The role of the State has been considerable and often decisive in the trend towards economic concentration, but it is not the essential fact.

Generally, States have intervened when, psychologically, they could not do otherwise. In most cases, the intervention of the State has been independent of the political system: it was imposed out of concern for a modicum of order.

Today, railroads constitute, for all States, a very large burden. There where they belonged to private enterprises, the State has been brought to support them in order to avoid the ruin of a whole section of the population. The question, however, is knowing whether a modern State can withstand a large part of the population finding itself [financially] ruined. If yes, interventionism is of political origin; if not, it is of natural origin: it is a spontaneous reaction of the social organism. The problem for Manchesterian liberalism comes from the fact that its development has led to a situation such that everyone has found himself more or less [financially] ruined or without work. The collective has tried to remedy this state of affairs, [but]

not in accordance with Marxist or collectivist theories. It has only endeavored to do the best and has, after the fact, found justifications for interventions that it could not avoid.

This interventionism is independent, to a certain extent, of customs barriers. I am not certain that, if the United States of Europe without customs were to exist, there would not be in Europe electrical construction companies much larger than those that exist in America. In America, economic concentration seems independent of the intervention of the State. Besides, it is maintained by means that do not always result from the fact that the cost prices are lower than those of small business, but because the fight is not equal between big and small business. The former has many means of action that small-scale industry does not. The day when a large business faces bankruptcy, it happens that, even after having gone bankrupt, the enterprise subsists, because the fixed assets are so important that one has an interest in letting it subsist. It is only after a fairly long time that one sees a company disappear that, according to the rule of liberalism, should have disappeared immediately.

Against that which Mr. Mises says, there are many *ententes* not founded on the intervention of governments, for example, the aluminum *entente*.

Mr. Mises: This pertains to goods for which there exist tariffs.

Mr. Detoeuf: The spontaneous national *entente* has the same nature as an international *entente* in the case where there are no tariffs. If the intervention of the State precipitates and aggravates the concentration, this takes place spontaneously, even in its absence.¹

Mr. Marlio: Corporate concentration is a useful phenomenon and conducive to the development of the economy and its progress.

It is useful. I was not struck by the objections articulated by Mr. Lippmann. I do not deny that industrial concentration brings with it disadvantages, but the advantages outweigh the disadvantages.

The drawbacks: when a big business is established on [the basis of] a special patent or a defined set of equipment, it has a certain preference to not change everything overnight and therefore, a tendency toward stagnation. On the other hand, if one seeks what the means are of which small businesses—as opposed to a large concentrated business—can avail themselves from the perspective of the technical progress of quality improvement, there is no possible comparison.

Let us take aluminum, for example. A very large corporation spends hundreds of millions on manufacturing expenses every year; it can devote a part to scientific research, when several separate [individual] businesses

could not do it. These research undertakings made with considerable financial means have permitted a greater progress.

For the consumer, it seems that big [economic] concentrations are favorable to him. If one wishes to track a certain number of these big concentrations, one will observe that the industries where sales prices have dropped the most are those where [big concentrations] are the greatest.

For the cartel of aluminum, there have only ever been drops in prices and never increases. It is, on the contrary, in the non-cartelized industries that one has seen prices rise.

These concentrations are therefore not a brake on progress or a disadvantage to the public. There are well-managed ones. Therefore, let us take two cartels that appeared at the same time: that of aluminum and that of copper. The latter of the two has been poorly managed: one had in mind the immediate profits that could be extracted from it rather than growing the market, from which [resulted] a collapse of the cartel.

So the liberal economic law intervened to make the poorly managed cartel collapse. The economic law comes quickly to bring back to wisdom those who would like to commit abuses.

With regard to the intervention of the State, I share the view of Mr. Detoeuf, but there is a special point we have to consider.

We will do interesting but unclear work if we seek to adapt an economic system in the best of all possible worlds. It will be necessary to judge on the basis that today's world is the worst. How to move from the worst to the best? That is a very serious and very complex problem.

In principle, I do not believe that governmental intervention is so dominant in the phenomenon of the corporate concentration. Often it corresponds to an accurate, sound, and favorable idea, but the situation in which we live, that is to say autarky, has led the State to intervene in far too many cases. Here I join Mr. Lippmann to say that if the concentrations are formed under the form of privileges, they are very bad. For example, in France, the law forcing Frenchmen to pay three times as much for their shoes as in the [rest of the] world, the establishment of a mandatory *entente* for the manufacturing of religious objects, etc. It is madness.

As long as the concentration remains under the purview of freedom, it is good, but if it takes on the signs of a privilege, it is bad. I am opposed to mandatory *ententes*; as soon as the development of factories is subject to [controlling] laws, we fall into a totalitarian system [*régime*].

In the struggle between big and small business, it is the big one that is favored because it can sell a product there where it wishes and can thus

make prices fall. But it does happen that a small business leads a big business to give in.

Mr. Rüstow—The matter at issue is more narrow: it is knowing whether the unlimited concentration is an immanent and natural tendency of the economy itself or an extra-economic tendency and hence avoidable.

Mr. Detoeuf has said that there were situations in the competitive system where the State could not refrain from intervening. It is very likely true. But we have to ask how these situations arose, if it was not the State itself that fostered them or even created them. And we have to ask ourselves again in which direction the State must intervene once such a situation has been created.

No doubt, there is a trend toward concentration which is of a purely economic type, due to technical and organizational progress, therefore inherent to and legitimate in the competitive system. This economic tendency does not incline toward the maximum but only toward the optimum of concentration. In most cases, however, the purely economic optimum concentration is significantly lower than the maximum. The tendency to exceed the economic optimum of concentration can obviously not be a trend of an economic kind, in the sense of the competitive system. It is rather a monopolizing trend, a neo-feudal, predatory, trend that cannot succeed without the support of the State, laws, tribunals, judges, public opinion.

Of course, the beneficiaries of monopoly seek to conceal these connections, and it is at the same time they who are more aware of all the details. But in each case where one carries out an in-depth investigation, the result has borne out this thesis.

Thus, it is not competition that kills competition. It is rather the intellectual and moral weakness of the State that, at first ignorant of and negligent in its duties as policeman of the market, lets competition degenerate, then lets its rights be abused by robber knights [*chevaliers pillards*] to deal the fatal blow to this degenerate competition.

Mr. Mises: It is important to make a distinction between the natural trend of the economy toward the concentration of holdings through the absorption of small businesses, on the one hand, and the creation of monopolies, on the other.

The fact that a given business is the only one to produce and sell a given good is, from an economic viewpoint, without significance. The key factor here is knowing if this business is in a position to grow its profits by reducing the volume of its sales. It is not the monopoly of production and sale, but the existence of a monopoly price that constitutes the key factor.

A large number of producers in fact have exclusive control of the market in this sense that they are alone in furnishing goods of a specific quality. But most of them would be not be able to increase the price without risking to a considerable decrease in profits due to a fall in their sales. These producers have the monopoly of production and of sale, but they are not in a position to obtain monopoly prices.

Mr. Lippmann: Given that the legal system of property has an influence, would the concentration have been so strong, without the existence of the Limited Liability Company?

Mr. Mises: The legal system of limited liability is indispensable to the existence not only of large businesses but also, very often, of mid-sized or even small businesses. One cannot deny that the very largest businesses could never have been formed without this system being applied. But it is important to emphasize in addition that certain works of vital importance could not be achieved except by businesses of this type, and would not have been [achieved] without them; it is enough to mention, by way of example, the construction of large transcontinental railways or the opening of the isthmus of Suez.

Mr. Castillejo: Individual liability is not less limited to the level of individual assets than the liability of a company limited by shares² is [limited] to share capital.³ There is no legal difference.

Mr. Detoeuf: Can one equate a collective personality with an individual person? One treats a collective personality as a person liable. The shareholders of a public limited company are less liable than an owner. One of the current advantages of the public limited company is that the man who has put his funds there only has the liability for these funds, and it is one of its weaknesses.⁴

Without the public limited company would concentration have developed to the same extent? I certainly do not believe so.

Mr. Marlio: The theses of Mr. Lippmann do not appear to me [to be] entirely justified with regard to the reported difference between the public limited company and the individual. It is correct that, when one does business with a manufacturer who owns his own business, one knows the person responsible [for it]; when one does business with a corporation one deals with a collective entity, of which it is perhaps more difficult to gauge good or bad faith; but I do not consider it a favor to limit the liability of shareholders to the capital to which they have subscribed; it is not a privilege that is given to a corporation, but it is an advantage that is given to its co-contracting parties.

When one deals with an individual, one does not know at all what his wealth is, what his debts are, what his solvency is, [whereas] when one deals with a public limited company one has more complete information on all of these points.

Mr. Lippmann has identified a second difference. The public limited company is, according to him, a veritable endowment. This is not entirely correct because, although the corporation⁵ does not die, shareholders, who are the true owners of the business, are mortal and pay their estate taxes as do individual business owners.

A difference that to me seems more significant is as follows:

In a public limited company, the tendency toward action is stronger than in the private property of an individual [who is] limited by [the extent of] his liquid assets, who is hesitant about initiating investments. That does not mean that one form of business [structure] is better than another. In this way, today, it is textile industries that are in a bad position; yet they are family businesses.

The big difference is therefore of the psychological kind. The one who is an individual owner is rather conservative, hostile to change, whereas the delegated administrator is more willing to receive good or bad innovations. It is the danger of freedom.

Mr. Detoeuf: It is only because he is less liable, not because he is free.

Mr. Marlio: Is the proportion of bankruptcies and liquidations higher at public limited companies than among individuals [business owners]? I do not believe so. Finally, practically, I do not see how modern legislation could oppose associations of interests [*associations d'intérêt*].

Mr. Hayek: If corporate concentration were due to a natural technological development, its forms should first be horizontal integration and then vertical integration. However, the most widespread forms are forms of vertical integration, and only secondarily, horizontal integration, exactly the opposite of what technological orientation suggests.

Mr. Mantoux: One should not forget that the interventions of the State have not always been, even unwittingly, favorable to concentration; they have often had an indirect inverse effect. Thus, it has been recently observed in France that the costs imposed on labor by legislation led businesses to turn as often as possible to small independent craftsmen, rather than organize workshops themselves where working conditions and salaries would be determined by collective bargaining agreements [*conventions collectives*], and where legislation pertaining to working hours would be rigorously applied. This trend appeared particularly in armament industries, which often ask craftsmen to fulfill spare parts orders.

Mr. Detoef, so as to justify the intervention of the State, has made two arguments in succession that to me seem contradictory. He has told us on the one hand that pure and simple competition did not succeed, in and of itself, in quickly eliminating non-viable companies, and the State then saw itself forced to intervene. He has also told us that the State had to intervene to bail out certain businesses, the disappearance of which could lead to the [financial] ruin of a large segment of the population. Put differently, in one case, the State intervenes to make the company disappear; in the other, to make it subsist. It does not seem to me that it is the result of an inevitable economic development, but rather of a deliberate economic policy, if not always a perfectly coherent one.

The example of railroads, chosen by Mr. Detoef, is especially interesting. What was it about for all the railroads of Europe? To know whether the State would continue to [financially] support businesses running at a loss, or would let these disappear at least in part, to the benefit of users of the new, more affordable, means of transport that had come to compete with railroads. The intervention of the State could be based, then on four main reasons:

1. For defending State finances;
2. For maintaining the value of capital of railroad companies;
3. For avoiding unemployment;
4. For the needs of national defense.

The first reason is eminently laudable, as are the others besides: but if the State faces legal obligations toward a company that is running at a loss, the best means to me seems to sever these legal connections as soon as possible, rather than perpetuate the existence of a non-viable business. If this business has to be kept going, it is therefore for unrelated reasons. I add that from a fiscal point of view, it can be perfectly legitimate, for the State, to intervene, so as to restore the balance of [fiscal] burdens, if these, weighing unilaterally on the railroads, are one of the causes of the [ir] deficit. But it is not an economic problem any longer, but a fiscal one, and no one suggested that the liberal State should not levy taxes.

The second reason poses a very serious problem: any technical progress necessarily implies that a portion of existing capital, especially if it consists of specific economic goods, must lose its value. But one could intervene to indefinitely maintain the value of this threatened capital only by completely halting all technical progress. In such a case it is a question of whether the interest of a [certain] category of individuals, those who have

invested capital in the threatened businesses, will prevail over that of the collective,⁶ interested above all in the general economic benefits of technical progress. It goes without saying that the role of the State, even the most liberal one, will be to prevent the transition from being too brutal. This is particularly important in the case of the third reason, the problem of technological unemployment. It is obviously absurd to stop all technical progress out of fear of unemployment; but it is true that the old liberal school has completely ignored the extent of human sufferings due to the “frictions”, and that one has to soften the too-brutal effects of any economic transformation.

Last, the reason of national defense is very interesting, if it is supported by experts, but it is not an economic reason, and, as such, it does not constitute an argument against the liberal State, to which no one has ever denied, since Adam Smith, the role of defense.

To me, these interventions do not seem at all due to a fatal economic development, but [rather] to more or less conscious reasons and more or less admissible [ones] that we should force ourselves to clarify.

NOTES

1. Even in the absence of State intervention —Ed.
2. The term used is “*société par actions*”. —Ed.
3. The term used is “*capital social*”, not to be confused with social capital in the contemporary sociological or political sense.—Ed.
4. The French term “*société anonyme*” can be translated in different ways, but Detoeuf mentions shareholders, which implies he is referring to public limited companies. A public limited company (PLC) is common in the United Kingdom and is similar, in essence, to a publicly traded company in the United States.—Ed.
5. The term here is “*société*”, which can be translated as company or corporation. In this context, corporation is more apt.
6. *La collectivité* refers in a general sense to the wider community, society, the State, or the public, not the individual.

Liberalism and the War Economy

Afternoon session of Saturday, August 27th

Mr. Rougier: Today's agenda calls for the following discussion: is the decline of liberalism inevitable as a result of the trend towards economic nationalism, due to various causes? Among these causes, one of the most oft-invoked is the need to ensure national security, which is said to require resorting to a type of economic self-sufficiency. We have the benefit of having among us a young Austrian economist, Stefan Possony, who has devoted a considerable book to the economy of the preparation for, and the economy of the conduct of, war. We will yield the floor to him right away.

Mr. Possony: Two forms of economy can be distinguished: the economy of prosperity and the economy of war. With regard to the economy of war, there are two key concerns:

1. *Issue of raw materials*— How to ensure the necessary production of these?
 - a. How to increase national production? All depends on the size of the deficit. If it is equal to or less than 5%, that is possible; if it is higher than 5%, it is impossible. The deficit is too great in the majority of countries for this possibility to be sufficient.
 - b. Substitutes. In general, no highly industrialized country is capable of being self-sufficient, except the United States. According to the data, the needs of war exceed what one country could produce in

terms of raw materials; likewise for synthetic materials, because in order to produce them, one would need base materials (for example, casein in the case of Italy). When one wants to produce too many raw materials, the deficit risks worsening.

- c. Question of stockpiles. With stockpiles, one faces an impossible situation, because certain supplies are damaged and others are downgraded as a result of technical progress.
2. *The issue of transforming the economy with a view to war.* One has to consider:
 - a. The potential output;
 - b. The machines of warfare.

There is a limit to potential output, likewise for machinery and industry.

The conclusion, therefore, is that it is impossible to foresee the needs of war.

What is the economy, then, that can best adapt itself to the war economy? It is the liberal economy, owing to:

1. The maintenance of foreign relations;
2. The abundance of capital.

Generally speaking, all that risks reducing the capital resources of an economy is harmful.

In wartime, is a directed economy possible or advisable? The argument in its favor is to say that the goal is determined in wartime. But one comes up against the following objection: what are the goals of the war? Another argument to the contrary is the one that holds that the war economy is poor; so the greater the resources are, the greater the return is. The most efficient weapons—tanks, for example—ordered by the General Staff.

In wartime, the State has to intervene to ration consumers, set wages and profits. The most favorable condition would be a set of skilled entrepreneurs.¹ Technical progress being faster, the liberal system finds itself better justified.

Is the maintenance of free prices during the war advisable? One cannot resolve the issue.

To sum up, interventionism is not justified for the preparation for war. Even during the war, certain principles of the liberal economy remain the

best. The State can, in certain cases, have businesses brought under State control [*entreprises étatisées*]; it can create stockpiles, establish very heavy taxes, yet the fact remains that the threat of war should not prevent democracies from orienting themselves toward a liberal economy. The more war demands a capacity of initiative, the more the bureaucratic economy reveals itself to be inferior to the liberal economy.

Mr. Marlio: The system of the directed economy as preparation for war is very bad, even from the military point of view, if one assumes that this system is meant to last ten or twenty years.

Certain countries, in order to produce goods that they lack, invent substitutes that are heavy users of raw materials; if this regime were to last for a long time, it would exhaust all raw materials. No stock [of military weaponry] represents a real value after several months of war. According to the calculations of the General Staff of the Air Force, the supply of planes has to be changed after two months.² Not only are stocks depleted, but they become outdated.

There is also exhaustion of the natural resources of the population. For the USSR, its five-year-plan has been made without incurring debt, but by restraining the nourishment and the living conditions of the population.

The arguments in favor of the directed economy only apply if the war is imminent and short. We can find in this system possibilities that one would not find in a country having a liberal economy: for example, coercive measures applied to the population that stem from the wartime system (for example, scrapping [the production of] butter in order to make cannons).

Mr. Heilperin: Mr. Possony says that the planned economy, in a State that prepares for war, leads to the impoverishment and progressively to the exhaustion of resources. Thus, the use of this method weakens the State: that is clear.

But to pass from there to the conclusions of Mr. Possony, there is a step. Can a State that embarks on the path of preparation for war (period of a few years) function in the framework of a liberal economy? Is the possibility of preparing [for] a war in the framework of the liberal economy not a contradiction?

1. What does the preparation for war require? An accumulation of resources that otherwise would be devoted to the needs of consumers, and putting these at the disposal of the needs of the war. Is the liberal economy capable of doing this? Taxation is not an

efficient enough weapon to reach the desired goals. Beyond a certain return, the liberal economy, so as to impose the investment of assets in the production of war machines, has to resort to the intervention of the State. Likewise for international trade relations.

2. It is not necessary to envision the problem of the possibility of preparing for a war according to a plan, for only one country. In general, it takes place in a bloc of countries; it is what allows one to understand the acts of Germany in central Europe and in South America.

It seems that one must choose between an economy of war and an economy of prosperity. There is a contradiction [*une antinomie*] in the preparation for war.

Mr. Mantoux: It seems to me that perhaps Mr. Possony risks jeopardizing a thesis, that I believe to be excellent, by [making] several arguments that will serve too easily as targets for his opponents: it is important to make a clear distinction between purely economic measures and measures having political and military goals that entail economic sacrifices, however much the latter seem to me, in certain cases, [to be] justified. One has always justified agricultural protectionism, in France, mainly on economic grounds, and therefore wrongly. But one can argue that the agricultural quasi-autarky thus obtained, not without damage no doubt to the standard of living of the population, completely shields France from the dangers of a wartime blockade. Free trade has ensured England a very high standard of living, but has rendered it dangerously dependent on foreign sources for its nourishment; and, during the Great War, it narrowly avoided famine and hence defeat. In a universe subject to the laws of the jungle, it can be necessary, if one adopts a given foreign policy, to render oneself economically invulnerable.

Mr. Rueff: Historical argument: not a tenth of directed economic measures are taken for military purposes. The development of the French economy in the direction of dirigisme is not a natural necessity.

Is it the same in other countries? The German economy was directed before preparation for war became the sole goal of the German nation. The currency controls have been the inevitable consequence, [though there was] little awareness [of this], of the directed economy. In the countries of central Europe, the development [in scope] of the directed economy is the consequence of clearings³, of the budget deficit that itself results from the thoughtlessness of the governments.

In the preparation for war, is the [centrally] directed system better than the liberal system? What exactly is the problem of [building up] armament[s]? It is obtaining a change in the orientation of the economy within a country so as to direct production toward military ends.

The liberal economy gives to the means of production a distribution that meets individual preferences. The problem of the preparation for war is introducing in the system of distribution of the means of production distorting factors that direct the productive activities toward military ends.

There are two intervention factors in this regard:

1. The tax. The possible effort is limited only by the maximum sum of possible taxes.
2. The loan that has to encourage the citizen to deprive himself voluntarily in order to help the State.

Are totalitarian methods more efficient than liberal methods? What is the limit to the possibility of tax collection? Is it not obvious that when a country has to confront additional expenditures, it has to work more if it wishes to maintain its prior standard of living? Directed systems have the advantage of being able to impose these additional sacrifices whereas the liberal State experiences serious difficulties in so doing.

But these obstacles do not result from the nature of the liberal State. Where do they come from? Statesmen are rarely cowardly. They are often ready to engage in courageous acts, but they are very rarely cognizant of the problems that they are faced with and the means of resolving them.

The problem of liberalism in the world is an intellectual problem. One of the consequences of liberalism was to select ruling classes oblivious to the mainsprings of the liberal system. In this way, for example, the standardization of [trade] quotas was the death of the system; yet these were decided on without [the decisionmakers] reflecting a single instant on their inevitable consequences. There is no hope whatsoever of maintaining the liberal system if the governments are not conscious of the requirements that it entails.

Mr. Castillejo: No, this requirement is not enough, because if a high degree of competence and political power unite themselves in the same people, the result will neither be liberalism nor democracy: it will be a dictatorship. Thanks to the stupidity of [cabinet] Ministers, democracy is possible. Agencies of a technical orientation should be outside of majoritarian whims and as far removed from political power as possible.

Mr. Possony: That which is suitable for the economy of preparation for war in general is not suitable for the State that prepares itself for a specific war. In this case, one has to know if the measures taken are characteristic of the directed economy. For these States, if the war should not succeed, it would be very difficult to transform their war economy into a peace[time] economy.

Mr. Rueff: There are degrees of unpreparedness. England is an example of it.

Mr. Mises: All economists, including those of totalitarian countries, agree in thinking that it is impossible to escape this dilemma: *either* the international division of labor *or* the preparation for war. The war, for which the totalitarian States prepare themselves, will be in their mind the last war, from which their definitive hegemony will result. This war will have to be, according to them, a surprise war of which the duration will be brief.

“Germany is an army that possesses a State, and not a State that possesses an army,” it has been said. At the foundation of this military organization, the belief exists that the productivity of a State-controlled business is greater than that of a socialist business. Statism is said to be more efficient in the preparation of armaments than liberalism, hence the nationalization of businesses.

To assess [the merits of] this notion, one has to consider history. Well, at the beginning of the nineteenth century all States manufactured their weapons in arsenals. It is in the course of the nineteenth century that the competition of private businesses forced the State to make use of private businesses. All the big inventions have been made in the other countries, especially in France and England. In Germany, the only German invention was the Zeppelin.

Mr. Mantoux has said that free trade almost ended in famine in England. Yet Germany has absolutely experienced famine, because the work of soldiers could not be replaced. If one takes the problem of leather, it would be absolutely impossible for Germany to find the leather necessary for the manufacturing of soldiers’ boots for a length surpassing three to four months. It is not the only product. This whole system leads to some inefficient measures that will be judged very harshly by the experience of a future war. But, according to German theorists, the division of labor is incompatible with the preparation for war.

Mr. Possony: I think we all agree on the main point, namely that an economy leading to impoverishment is not compatible with the needs of

modern warfare. However, dirigisme destroys wealth by diverting capital from its best returns, by reducing foreign trade and by replacing personal consumption with collective consumption. Dirigisme, therefore, does not prepare for the most efficient conduct of the war. Moreover, most of the statist systems that we know have nothing to do with a true and serious preparation for a future war. The *Wehrwirtschaft*⁴ is very often a pretext to excuse the misdeeds of interventionism.

Theoretically, a *Wehrwirtschaft* that bases itself on any *dirigiste* economic system jeopardizes its own goals. Economically speaking, it is capital that is the very condition of modern warfare. This condition has to be fulfilled before all else. There is the main argument in favor of liberalism, on which all seem to agree.

But the problem becomes more complicated. Is it enough to have capital? Can war be won with capital alone? Obviously not. In order to win the war or to avoid defeat, one has to have weapons; and, in our days, one has to have many. Armaments, especially if they are produced on a very large scale, have enormous economic repercussions. Nevertheless that does not seem to be a sufficient reason to jettison the [market] pricing mechanism; to the contrary, because these difficulties are surmountable only through an increase in [economic] wealth. If it is appropriate to arm, let one make use of taxation and borrowing, let one not ruin the very foundations of the economy. Why is this not done? Because indirect financing is politically more convenient, given that it's possible to disguise in this way the cost of arming, namely that it can only be brought about at the expense of consumption.

The individualist economy that adapts itself to the needs of individuals surely cannot lead of its own volition to the production of weapons. It is necessary that the State intervene to impose the investment of assets in the production of armaments, by diverting them from their normal end which is consumption. Is that truly incompatible with liberalism, as Mr. Heilperin asserts?

I do not believe it, but I admit that that depends on the manner and the degree of State intervention. If the State resorts only to taxes and borrowing, we stay within the framework [*le ressort*] of liberalism. On the other hand, if the State resorts to other means, such as currency controls, the restriction of foreign trade, or a ban on producing certain goods or simply monetary inflation, we move out of the framework of liberalism. Yet these last methods of intervention, of which we have just spoken, are more expensive than the others; but one can arm just as well by resorting

to the former as well as to the latter [methods]. If one took into account the fact that modern war is a war of usury devouring wealth in an outrageous manner, one would agree to adopt the least costly methods of intervention.

Dispelling some misunderstandings remains to be done. Mr. Marlio thinks that the directed *Wehrwirtschaft* is preferable if the war is imminent and short. If the war were short, one would have no need to practice the *Wehrwirtschaft*, except the obligation to produce enough weapons. An imminent war will provoke a faster buildup of armaments, but to achieve it, is it necessary to change the methods of financing and to prefer indirect financing to direct financing? I don't see the need for it.

To sum up, we all agree on the need to possess sufficient armaments, financed by taxation and borrowing, that is to say direct methods. However, the economic measures through which arming is made possible should not be confused with the *Wehrwirtschaft*, the sense of which is entirely different. According to modern understandings, the *Wehrwirtschaft* prepares in peacetime the production of war material for the war itself, so that during the war, there is always all the desirable material. If, for example, 10,000 planes per month are required, one prepares or rather one wants to prepare the factories, the equipment necessary to produce planes in such quantities. It is the principle of the "shadow-system". In order to ensure victory, it is absolutely necessary to have clear ideas on the material needs of the future war. Put differently: the one who will be tasked with laying down the plans of this planned economy that is the *Wehrwirtschaft*, does he also have to be a prophet? In my opinion, drawing up such a plan, being nothing but the vision of a dreamer, is completely impossible. It is what one can prove thanks to a large historical body of documentation. Therefore, each step in the direction to the planned *Wehrwirtschaft* diminishes wealth, without serving any purpose. One could say the same thing about each attempt to influence foreign trade with a view to realizing autarky; this [autarky] remaining unachievable, each restriction of foreign trade reduces both wealth and the country's capacity to adapt during the war.

It is only if the geographical position of a country is likely to lead to the breakdown of trade relations in the event of war that one has to complete the program of arming, not by measures of autarky but, in the absence of knowledge of what the war will be like, by the stockpiling of raw materials. A stockpile of goods, other than raw materials which would certainly be desirable, comes up against the challenge of our lack of knowledge of what the war will be [like]. That only leaves us [with the option of] creating

stockpiles of food products and of all minerals, wood, textiles, etc. likely to be in short supply. But how to obtain these? I do not see, here either, a way other than direct financing, and, must one add, a strong State, able to impose the taxes it needs. Could dirigisme do better than this?

In any case, any economic preparation for war necessarily results in a loss of wealth. Yet, wealth being and remaining the marrow of war, if not in all its forms, one should grow it as much as possible. There is not, in principle, another reasonable *Wehrwirtschaft*.

NOTES

1. In the sense of entrepreneurs who are knowledgeable of the economy, well-versed in technological progress, and so on—Ed.
2. This likely refers to the useful service life of airplanes in the 1920s and 1930s, which could be short by contemporary standards.
3. Rueff refers here to bilateral clearing agreements, so-called clearings, that limited “free” trade in the 1930s.
4. An economy oriented toward military ends.

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Liberalism and Economic Nationalism

Morning session of Sunday, August 28th

Mr. Rougier: The merit of liberalism is to increase the dynamism [*dynamisme*] of [economic] production. Yet, nowadays, this vibrancy seems slowed down by the halt of colonial expansion, by the halt of demographic expansion, so much so that some think that the main problem is that which consists of managing the distribution of wealth rather than stimulating the production of wealth. In this way, economic liberalism would lose the best of its *raison d'être*. What should we think of this slowing of economic dynamism due to natural causes? Wilhelm Röpke has particularly reflected on these problems.

Mr. Röpke: We enter here into the analysis of economic nationalism due to the so-called slowing of the dynamism of capitalism.

As Mr. Lippmann has said, we are not men who offer definitive solutions. We seek first the problems and then the solutions. As it is impossible to say everything, we have to stick to the essential.

On the one hand, the doctrine of liberalism has been the economic policy [*la politique économique*] of the nineteenth century; on the other hand, the application of this policy has transformed the face of the world. It has been accompanied:

1. By the settling of the white race outside of Europe;
2. By the growth of the white population.

Today, the expansion of the white race is almost finished. A nation has to wrest its colonies from another one. With regard to the population, the

fall in the birth rate of the nations of the white race is headed toward a stationary population state.

All these changes have transformed the climate in which liberalism can live. What is this climate? In the first place, a free space, then an increase in the population.

The problem is as follows: does the economic system, based on the market and free competition, depend on a supply of square kilometers and on each year's supply of births?

If one argues this, one commits an error in logic of principle. That which is necessary for businesses development is not square kilometers but purchasing power. *A priori*, there are no reasons as to why capitalism cannot develop to satisfy the ever-growing needs of the existing population.

We have to study the real relations that exist between the policy of imperialism and the role of private businesses and ask if the essential point is not that, for a well-ordered system, there is no extensive orientation that could not be replaced by an intensive orientation?¹

One should ask if economic nationalism is a so-called endogenous fact [resulting] from the development of liberalism, so much so that it would be folly to struggle against it? We have to see if the tendency of agricultural countries to industrialize and that of industrialized countries to develop their agriculture are necessary and characteristic of the free-trade economy?

According to a great number of minds, the industrialization of backward agricultural countries [and] the agriculturalization of advanced industrial countries, although it does not involve a totally new process, would be the end of the liberal economy, trade agreements, [and] of the most favored nation [trading] clause.

The fall in the birth rate would be another factor that is said to reinforce this previous process. The industrial countries have the strong desire, rather justified, to preserve agriculture. Should one blame the anti-liberal policy of industrial countries with regard to agriculture? Or is it absolutely necessary to implement an anti-liberal policy so as to preserve the agriculture of these countries?

A solution is: the production of ordinary grains should be left mainly to agricultural countries, whereas to the industrial countries falls more sensibly the production of the other foodstuffs of superior quality for which these industrial countries have a specific localization [*une localisation spécifique*]. These are the products where small-scale [peasant] agriculture has very pronounced advantages in production; it is the products where small-scale agriculture has very pronounced advantages

over the neighboring markets of industrial centers; these are the products for which the potential demand is enormous and have always been under-estimated (see the publication of the League of Nations on nourishment).

The conditions necessary to turn this potential into value confront us with a fairly complicated economic problem. These products require a degree of labor-intensive work achievable by the small-scale farming structure of these countries and require a large surface area. These are also the grains one can import in times of peace so as to stockpile them in view of military needs. On the other hand, one can view supplies of livestock as reserves for war.

In this way, one can see in which directions the solution to the problem can be found. The greatest danger is the policy of new conjuncture: the policy of economic autonomy, the policy of economic nationalism, combined with the planned economy and autarky.

Mr. Heilperin: Three points should be distinguished:

1. Does technical progress, which plays a role in the industrialization of agricultural countries, affect relationships between countries?
There is no pressing objection there, because the share of trade of basic necessities will induce the specialization of commerce.
2. The territorial expansion and the growth of the population as factors of economic liberalism in the nineteenth century have been discussed. One can reply that a new factor can offset them: the tendency to live better. A very stimulating element of economic activity can be producing more to live better.
3. The matter of the population: I cannot be moved by the population decline from an economic point of view; the economic system has to be simple enough so that it can adapt itself to big changes of this kind.

Mr. Rueff: The observations of Mr. Röpke seem to me more the consequences than the causes of the decline of liberalism. They result from it, they do not explain it.

Mr. Mises: I agree entirely with the arguments put forth by Mr. Rueff. We should not lose sight of the considerable role that the arguments concerning currency policy play in the discussion of the problem of raw materials. A widely held belief is that the currency shortage prevents countries that suffer from it from buying raw materials. Yet, the situation that one refers to by terms such as "currency shortage" is precisely the

consequence of the policy adopted by these countries, and it would end immediately if the latter were to renounce wanting to impose on the economy, by means of coercive measures, foreign currency rates lower than the market rates. When one pursues a policy of inflation and when one in this way lowers the purchasing power of the national currency in relation to the value of goods, of gold and of foreign currencies, one should at the very least respect the exchange rates such as they establish themselves on the market. If one nevertheless refuses [to do] this, in order to maintain the fiction of a non-devalued national currency, and if one confiscates the sums in foreign currencies held by the state's nationals,² by fixing the compensation granted in exchange to a rate far lower than the real rates of these currencies, one unleashes the action of the mechanism defined in Gresham's law. "Bad" money chases, in this case, "good" money. The currency shortage is the inevitable consequence of a policy of exchange controls.

In the raw materials markets, all the purchasers enjoy equal treatment. The English, for example, do not benefit, on the markets of Australian wool, from more favorable conditions than the Danes or the Swiss. The circumstance that the King of England also finds himself the sovereign of the Australian Commonwealth plays no role whatsoever in the wool market.

The British Dominions and India are, from the point of view of currency policy, countries that are independent from Great Britain. The Australian pound, the Canadian dollar, and Indian Rupee differ from the English pound as much as from other national currencies.

There is a fact of which the questionable use of possessive pronouns frequently impedes understanding. In what capacity could an English citizen who is not a mine owner describe British coal reserves as "ours" and those of the Ruhr as "foreign"? As a buyer of coal, he is under the obligation of paying in each case the market price, whether it involves British coal or foreign coal.

Upon the dissolution, in 1918, of the Austro-Hungarian monarchy, everywhere the economic viability of the new Austria was called into question. One asked what a country deprived of coal would do to survive. But even before 1918 the Viennese had to buy and pay their coal, and they continued to do so after this date. The notion that raw materials cannot be bought and that States, as a result have no choice but to conquer territories that possess them, is without merit. The raw materials problem and the foreign exchange problem appear only for States that hinder, through a system of the directed economy, the free participation of their citizens in world trade.

Mr. Detoef: The problem exists nonetheless. If liberalism had lasted, one would no doubt be in a different situation. But it did not last. We are faced with emotional problems and not only intellectual ones. One takes protectionist measures because a sentimental passion forces one to take them. There is in particular a question of nationalism. We will not be able to re-establish economic liberalism if we have not changed nationalist sentiment.

Mr. Mises: How would you explain that it was not the agricultural countries that were the best buyers of industrial States, but the other industrial States? It was Germany that was one of the most important purchasers of English and French products, and England has purchased more German products than the other agricultural countries.

Mr. Detoef: This took place at a time when men did not fear war, where not a person imagined what it would be.

Mr. Rueff: This is not about natural phenomena, but about solutions [that are] deliberately chosen and generally justified by false arguments. The key figures in the German economic regime have certainly never heard of the balance of payments mechanism. Most political men believe they do their duty and [believe they] improve the well-being of their population by resorting to measures that lead to results precisely opposite to the ones they have in mind. The day when they will see in full light the consequences of their interventions, the political problem will be, if not resolved, nearly so.

Mr. Condliffe: To answer the question "Why did the will come about to replace the international system by the current system?" one ought not lose sight of that which was unique to the international commercial system of the nineteenth century; it was directed by the monetary market of London.

The large growth in world trade and of investments has to be attributed to the fact that Great Britain accepted the consequences of free-tradeism [*libre-échange*] and that the Pound was more a currency of an international than of a national order. But it was also necessary that the other countries were willing to accept this British leadership.

As an international division of labor established itself, the role of Great Britain became more and more that of a provider of mercantile and financial services.

In this sense, England became a nation of rentiers rather than a nation of shopkeepers. But for that agriculture had to be sacrificed and industries had to be adjusted, which had profound repercussions both for the distri-

bution of income and for employment. If free-trade had been universal, it would not have led to the disequilibrium of the British economy.

Laissez-faire is a negative philosophy. It should be complemented by positive measures, both economic and political. Almost no one today still accepts the doctrine of *laissez-faire*. In any case, one should not confuse the philosophy of liberalism with a specific economic system such as the capitalism of the nineteenth century that was, in more than one respect, anti-liberal

If one wants to support liberalism, one has to build a system of global cooperation; the international system based on the idea that all that favors British ideas has to be beneficial to the whole rest of the world, should be replaced by a study carried out by specialists for the various countries.

There is a need to devote more and more attention to the problems that the new advances in the world economy are making suddenly arise. There is no serious economic study at all on the repercussions of new technical phenomena.

Mr. Mantoux: The slowdown of the economic expansion that characterized the nineteenth century has coincided with the decline of liberalism. But therein lies a wholly paradoxical phenomenon. According to the fundamental hypotheses of classical economists, hypotheses that remained dangerously implicit for a long time, the [market] pricing mechanism only functions perfectly in a stationary state. It is precisely because changes severely disrupt the economic equilibrium that one believes oneself forced to intervene, and it is certain that the liberal State, in order to adapt itself to the modern world, should before all else resolve these problems of economic change and progress. The period of the nineteenth century has been the one [that encompassed] the most significant changes, the most rapid economic advances that history has ever recorded, and at the same time [was] the most liberal [period] of all; and it is certainly because it has been the most liberal that it has been able to be the most progressive; intervention can, therefore, be the product of a certain policy, but is not at all the fatal result of economic development.

No doubt, these changes in a completely free economic environment did not take place without being accompanied by great suffering that today we would not tolerate; but it is our ideas that have changed and not economic facts or economic laws. The slowing of progress should have allowed for a lesser [degree of] intervention; if the opposite happened, it is because the social suffering caused even by small changes seems unbearable to us today. But one should never forget that the immense growth of wealth of the nineteenth century, of which we have inherited, has been

possible so quickly only because Statesmen did not intervene to slow down or counteract economic progress.

Mr. Marjolin: I am not entirely in agreement with Mr. Röpke with regard to the causes of the decline of liberalism. It is a great mistake to look for these in errors, in mistakes of reasoning, [and] doing so is to disregard history. It is above all to deceive oneself with regard to the scope of the remedies that one wishes to use. Liberalism has receded as antagonisms between classes and nations have worsened. The growth of nationalism is perhaps the factor that has played the key role. Will one say that the “agriculturalization” of industrial countries and the industrialization of agricultural countries are due to a mistake? The ones responsible for this policy have often been aware that they brought about a decrease in the standard of living. But to them, the goals they had in mind seemed to be worth this sacrifice. Is it to an error in judgment with regard to the impact of measures taken that one should attribute the protection of French agriculture? My view is much closer to that of Mr. Possony for whom war appears as the key phenomenon of the twentieth century. And war is not a mistake.

Mr. Rüstow: Mr. Röpke did not want to justify the decline of liberalism, but, even in placing himself in the most unfavorable circumstances to defend it, he wished to support it by *a fortiori* reasoning.

Mr. Marlio: Everyone is in agreement that the disappearance of free spaces and the decline in the birth rate are not the decisive causes for the decline [*recul*] of liberalism. For the birth rate, there should be agreement on this, because if one takes into account the whole world, the decline is not so large.

For the free spaces, it is a question of definition. If one has to find continents, one will not find any more [continents today]; but as for markets, there have never been so many free ones. It is not economic substance that is lacking, and it cannot lead to the decline of liberalism.

The matter of the transformation of agricultural countries into industrial countries is not an argument against liberalism. England has not suffered from the growth in wealth of the countries that are its principal markets. One is too often drawn to the balance of trade that reflects only a fraction of the economic trade between nations. If one took into account the total sum of trade, and if one were to refer to the balance of payments, one would note that the most developed countries recover, in the form of services rendered, at least a portion equal to that of the exports they lose.

Mr. Condcliffe has said that England would have become a country of rentiers if one had pushed to an extreme the system of the nineteenth century. But that would have been the apex of happiness!

Economies change in every era. Today, one comes up against economic nationalism. One should study more closely what the causes are of this economic nationalism so as to be able to make a fruitful effort to fight against its errors. One should take into account this fact which exists. In economic nationalism, there are profound causes and errors. But there are facts. The Versailles Treaty has been a considerable cause of the current crisis, from the day when one decided that all the little islands of minority peoples should form nations. One has directly opposed the economic trend, which had required larger and larger markets. It is this discrepancy between the shrinking of political territories and the demand for ever-larger economic markets that has shattered the liberal order.

As Mr. Condcliffe said, the question arises as to what must be done to reach a system [*régime*] in which the liberal system can function once again.

Should one await the return of economic prosperity to lead, through a general satisfaction of everyone in the world, to a political *détente* and as a result [to] a receding of the specter of war? Or is it not to the political side that one should turn and is it not from the restoration of peace that one should await the economic recovery and the return to general prosperity?

Mr. Röpke: Economic nationalism is a highly complex phenomenon that generally accompanies political nationalism. Periods of economic integration coincide with periods of political and social integration. All the examples prove that one cannot understand national integration and disintegration without moving one's perspective to all viewpoints, political, social, etc.

It is not enough to say that economic nationalism is a matter of a lack of intelligence among leaders; there are the economic interests; the professional groups that engage in a nationalist policy; there is the dissolution of the State by special interests.³ It is this disintegration of the State itself by the parties, by the interests, that is of concern.

Economic nationalism is very closely linked to internal changes in the economic and social structure. The philosophy of international liberalism was based on the flexibility [*souplesse*] of national economic systems: flexible salaries, flexible prices, competitive prices rather than monopoly prices, and the monetary system based on the gold standard which, itself, can only function if all countries observe certain rules in common, postulating the flexibility of national economic systems.

Economic nationalism should therefore not be treated as an autonomous phenomenon that, with a bit of good will, would be easy to remedy. I believe that it is a phenomenon that has its roots in fundamental changes in our entire economic and social structure. If one wants to give a satisfactory answer to the question of the causes of economic nationalism, research should be carried out in all directions.

NOTES

1. In his 1942 work *International Economic Disintegration*, Röpke refers to two important processes that had taken place in the world economy: *intensification* and *extensification*. He defined these two trends as follows: “that the development of world economy has been, first of all, a process of *intensification* is as important as it is evident. It can be deduced from the fact that the most highly developed countries showed the greatest percentage of world trade, which, in view of the reciprocal nature of trade, proves that the bulk of world trade must have belonged to economic interchange within the high-capitalistic sphere itself... At the same time, the development of world economy has been a process of continuous *extensification* in the sense of a spatial extension of the universal economic system over the non-capitalistic areas of the world” (Röpke 1942, 11–12).—Ed.
2. “*Ressortissants*”, nationals.
3. “*Intérêts particuliers*” here refers to particular, particularistic, or special interest groups at odds with the common good, interested only in shifting policy for its own narrow, limited benefit.

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Liberalism and the Social Question

Afternoon session of Sunday, August 28th

Mr. Rougier: The following question is on today's agenda: *Is liberalism capable of fulfilling its social tasks?* Can it ensure:

- (a) *A minimum of security.*¹ Does liberalism lead to structural crises or, at least, to crises of an intolerable scope, expecting a liquidation [of such crises] through the simple play of economic forces (as a result of the growth of assets, of increasingly widespread speculation, etc.?)
- (b) *A vital minimum for all*, given the difficulties of labor migration. It is the problem of chronic unemployment, of technological unemployment.

In short, is the liberal system cruel? Is it likely to meet the social needs of the masses' consciousness today?

Mr. Rueff: The real question is:

- 1. Is liberalism capable of fulfilling its social tasks?
- 2. Can it ensure a vital minimum for all?

1. *Is liberalism capable of fulfilling its social tasks?* What is security in economic matters? It is the possibility of the individual who seeks housing to find it, of the bondholder abroad to be able to get the bond paid out, of the worker to find the employment that can feed him.

What can stand in the way of this security? It is, for example, that the demand for grain is far lower than supply. Insecurity is the impossibility of

the family father who wants to find housing to find housing. This situation reflects the fact that there is disequilibrium in the housing market. Insecurity is the situation of a bondholder who is faced with the lack of currency of the debtor State. It is therefore the existence of disequilibrium between the supply and the demand of currencies.

Finally, disequilibrium is the fact that more than one million people in a country cannot find work. The demand for labor is less than the [supply of] labor.

Insecurity is the social reflection of economic disequilibrium.

Is the liberal system, or is it not, the cause of countless disequilibria that have characterized our economy over the course of the last ten years?

On this point, in order to analyze the insecurities that are characteristic of the situation, one should observe that they arose, in the most severe form, when the 1929 crisis erupted; and the new development is the scope of this crisis and its duration. We should investigate whether the scope [of the crisis] and its duration are attributable to the liberal system or to its replacement by a new system.

If this crisis has been so severe, it is [because] everything has been done to delay it. Economic crises have always existed. That which characterizes the liberal system, is that the economic system has a certain number of regulating mechanisms that tend to maintain economic equilibria. Among these, the most important is the mechanism of monetary control [*régulateur monétaire*]; yet all our effort, over the last ten years, has been to weaken the links through which monetary control exerts its action. The means used have been:

- a. The sterilization of gold;
- b. The generalization of the *gold exchange standard*;
- c. The cooperation of the banks of issue.²

That which explains the magnitude of the crisis, is that we have had to fall all the lower in the Depression as we had risen higher in [the period of] prosperity.

Were these profound changes to the monetary system imposed by events or by *a priori* views? It is easy to answer, because these modifications were drawn up in the abstract. In 1922, in effect, the Genoa Conference recommended:

- a. The sterilization of gold;
- b. The generalization of the *gold exchange standard*;
- c. The cooperation of the banks of issue.

The crisis has been delayed for a long time precisely through the use of these methods. But when it erupted in 1929, the readjustment had to be all the more painful as the crisis was all the more profound. The States sought to counteract the flows of readjustment; this was the policy of quotas in France, and all obstacles in the world brought against to the functioning of the [market] pricing mechanism.

2. *The vital minimum.* As long as the [market] pricing mechanism was in effect, salaries followed the movement of prices. As soon as the State intervened so as to maintain the level of salaries, unemployment proliferated. Observing the curves of prices and salaries in England show that salaries follow prices:

1919–1920: prices and salaries rise simultaneously, with a slight delay of salaries with regard to prices

1920–1921: prices and salaries fall by the same gap.

This shift has taken place because it had to take place. This process ended at the beginning of 1923, because at this moment a system began to come into effect that blocked the pricing mechanism.

The social question asked in this way: “The research of the means to ensure the vital minimum to workers who seek work” is a poorly asked question. No one would agree with seeing a worker reduced to the vital minimum. This would be a system of unimaginable cruelty. *The goal of an economic system is to provide the maximum of that which is compatible with the state of production*³ and the question is whether this result is better obtained by a system that leaves to the pricing mechanism the care of giving the maximum of that which one can give, or [instead] by a system that sets a wage level *a priori*.

The liberal system tends to ensure, for the most deprived classes, the greatest [degree of] well-being.

All the interventions of the State in the economic realm have had for effect to make workers poorer. All the interventions of governments have seemed to want to improve the condition of the greatest number, but there is no means for that other than to increase the quantity of goods to share.

Mr. Lippmann: Is it possible to alleviate the suffering that the mobility of a system of private markets entails? If the equilibrium always has to be left to itself, that entails great sufferings. Can we mitigate these sufferings by measures such as the collection of a special tax on businesses that perform well?

Mr. Rueff: We have to do the utmost for workers, but everything has to be placed in the framework of a balanced budget. The system of English unemployment insurance poses serious drawbacks, but as long as the English budget is balanced, the system can last indefinitely. The *a priori* setting of wages [levels], without considering the number of unemployed, leads to catastrophe.

Mr. Baudin: It does not appear that the question that is currently being debated can be the subject of an in-depth examination if one only considers static views of order. The equilibrium of which we speak is not definitively established; it is the equilibrium continuously destroyed and recreated by an economy in motion. Industries are born, live, and die like men and all the components of economies are subject to a rhythmic cycle. Two generally confused questions arise in this regard:

1. What are the causes of the cyclical movement? An obscure problem that we should leave aside. The economic cycle [*conjoncture*] is a fact that we have to take as a given;
2. Why is this movement a source of problems? There is the important fact and the only one that interests us from the practical point of view. There is no *a priori* reason why an economy subjected to a swing is less beneficial than an economy of which the elements describe straight lines in time.

First, the disadvantageous aspect is precisely the fact that all these elements (costs, prices, incomes, etc.) do not follow parallel tracks. It is the disparities that cause the unrest and the discontent; therefore they should be lessened to the extent possible and, to achieve this, the resistances to the rhythm should be shattered.

Second, the greater the *amplitude* of the cycle, the more pronounced the disparities are. It is therefore important to reduce the size [of this amplitude]; today, however, to the contrary it tends to increase due to the increased scope of mass psychology. We have seen it, for example, in the United States during the last crisis. An unreasonable optimism and enthusiasm took hold of the public and carried stock prices to excessive levels; the Federal Reserve banks were powerless to temper such momentum. The bust that has followed the boom has been all the more catastrophic.

Consequently, on the one hand the utmost should be done to reduce the disparities by eliminating the resistances, on the other hand to temper the momentum [so as] to reduce the size of the cycles. Yet the State has never

acted in this way, quite the contrary. Evidence can yet be found in its attitude towards fiscal affairs. Legislators and governing figures have no awareness of conjuncture at all; they decide without referring to the future. Not only do they not consider future possibilities of a slump when they find themselves in periods of prosperity, but they sometimes even plan for increased expenditures as though prosperity itself should go [on] by intensifying itself.

I support, definitely, the proposals put forth by Mr. Rueff, but by moving them onto a dynamic plane.

Mr. Rueff: The liberal system grants a flexibility to the economic system that alone enables [one to] fight against insecurity.

Mr. Marlio: Mr. Lippmann has asked a crucial question: the matter of knowing whether or not we will acknowledge that the collective,⁴ through measures such as [social] insurance or through other measures, take upon itself a part of the losses or the sufferings that are caused either to industry or to workers by changes in the progressive economy based on labor economics. If we take the economic vantage point, these are disturbances, but if we take the human and social vantage point, these are ills and harms.

It is difficult to decree these measures in the situation in which democratic States find themselves. It is even more difficult to decree them as these harms are to an extent the result of the liberal system itself and not the doing of man. One should acknowledge these harms as the outcome of a system of which the functioning becomes more and more crude, as the economic units become larger and as the [market] pricing mechanism has more difficulties in functioning.

What are the means of insuring against these ills or of remedying them?

Mr. Lippmann has cited one of them: it is knowing whether or not the collective should indemnify the industries that one will have to make disappear.

Another issue is the problem of unemployment, and I would want to call attention to a certain aspect. It is clear that when, as a result of the growth of a business, one replaces human labor with mechanical labor, one creates unemployment. What is defective in the workings of the current system is that, on the one hand, one accepts that the unemployed should receive a benefit, and that on the other hand, the industrialist, when it comes to replacing a hundred workers with a machine, makes a calculation to know how much he will save. He does not take into account that which the collective will have to pay to compensate the workers who are hurt in this way. In a logically designed system, the industrialist should

not engage in the mechanical transformation [the automation of his business-ed.] when his savings will not surpass the expense of unemployment benefits put at the expense of the collective; and it is worthwhile to investigate to what extent he himself can be made to participate in these indemnifications.

Mr. Rueff: The system is viable only if one engages in rationalization solely for financial purposes, not for ideological purposes. If each leader of a business only seeks his maximum profit, unemployment will not be created.

Mr. Marlio: This only in the case where the benefits allocated to unemployed people do not come to distort the [economic] laws of the labor market. Such is the paradoxical case of the United States, where there are 13 million unemployed and where salaries are the highest in the world.

Mr. Condliffe: I would like to make 5 points:

1. I have never been impressed by the argument of the high salaries in the United States. In Detroit, where daily salaries are sometimes 5 or 6 dollars, annual salaries can range between 1000 to 1200 dollars.
2. The absence of adjustment that took place in England after the war was not caused by unemployment insurance. It was caused, in 1925, by setting the gold exchange rate at too high a level.
This matter of fixed exchange [rates] is very important if one considers a high flexibility in wages to be desirable; but that can have serious drawbacks.
3. It is not certain that one can argue that the lowering of wages in 1925 would have reduced unemployment. As long as freedom of expansion will not be established, this problem will not be resolved.
4. If recent years have witnessed an extremely serious crisis, similar sufferings have occurred in the past. One always compares the current period to that of the 25 years that preceded 1914. Crises are more severe in periods of large decline.
5. The current policy [with regard to] teaching and education is not good. An intervention by the State in the realm of teaching could only increase its [the State's] intellectual grip.

Mr. Rueff: I did not speak of the relationship between real wages and unemployment. I wanted to talk about the general problem of economic disequilibrium. I consider this relation between unemployment and wage to be a very general one. Economic equilibria are all maintained through price changes. It is through these price changes that equilibrium is re-established.

It is clear that the State has to task itself with teaching and that, in order to do so, it has to levy taxes. The real problem is that of the limit of intervention in the liberal State. What are the forms [*modalités*] of intervention compatible with the pricing mechanism?

Mr. Lippmann: If one considers the principle to which Mr. Rueff has committed himself, that does not resolve the question of knowing to what extent taxes should be levied in order to alleviate suffering.

Mr. Hayek: We should distinguish between two systems of unemployment insurance. According to one, the unemployed worker receives a dole equivalent to the wage he would receive if he had work. The other is designed on the model of the poor law in England.

The first has two effects:

1. If workers know that, in the industries where the risk of unemployment is greatest, the compensations will be the same, the supply of work in these industries will be greater, such that an even greater mass of unemployed will result from it. From which, disequilibrium [results].
2. If the insurance is equal to the wage, the worker will not try to move.

Mr. Mises: There is a point on which I could not, to my regret, agree entirely with the ideas expressed by Mr. Condliffe.

Unemployment, as a massive and long-lasting phenomenon, is the consequence of a policy that aims to maintain wages at a level higher than that which would result in the state of the market. Abandoning this policy would result very quickly in a considerable decrease in the number of the unemployed.

I am entirely in agreement with Mr. Condliffe in his assessment of the deflationary policy that permitted Great Britain to bring the Pound back to its pre-war parity.

Mr. Marlio: I believe along with Mr. Mises that one of the causes of heavy unemployment is the effect of a trade union policy seeking to obtain wages higher than those that workers should receive from an economic point of view. These endeavors, going against equilibrium, have not led to the results that the trade unions counted on. They have been as devastating for the general interest as for the parties concerned themselves.

Two examples:

1. The American crisis has surpassed all the other crises in the world. It has been caused, for the most part, by the trade union policy putting

pressure on the government of the United States and obtaining the ban on European emigration to America. Yet these European workers constituted an annual importation of a million fully trained workers.

What was the result of this measure taken at the behest of trade unions? It was an increase in wages. American industry having become aware that it could not pay such wages, preferred to replace human labor with machines. It is why unemployment already reached 4 million workers at the time of economic prosperity.

2. Two years ago, when the French government engaged in a series of democratic reforms, it added the law of [the] 40 hour [work week] which had, in the mind of the bulk of the trade union organizations, the goal of reabsorbing all or a part of the unemployed in France (400,000). At first glance, it seemed that these unemployed should disappear because the law reduced the production capacity of workers employed in factories. Yet two things happened:
 - a. This law contained a restriction on working hours and an increase in the hourly wage rate. So a 20% wage increase.
 - b. The wage increase led industrialists to make a calculation similar to that of the Americans: they have taken on new expenses to mechanize work. This law has therefore led to a reduction in work and [to] an increase in unemployment.

These two examples are typical and confirm that which Mr. Mises has said.

Mr. Rueff: The nature of liberalism is to give workers greater satisfaction than directed regimes can, [as directed regimes] in fact always lead to a decrease in the standard of living of individuals.

NOTES

1. Security refers not to security from crime but rather to a modicum of economic and social security.
2. A bank of issue is a bank that is legally authorized by the State to produce currency, including printing money and coins. Examples include the U.S. Federal Reserve and the Bank of England.-Ed.
3. Emphasis in original.
4. *La collectivité* refers in a general sense to the community, society, the State, and the (tax-paying) public, not the individual.

Psychological and Sociological Causes, Political and Ideological Causes, of the Decline of Liberalism

*Morning and Afternoon sessions of Monday,
August 29th*

Mr. Rougier: Today's agenda is as follows: If the decline of liberalism is not inevitable, what are its real causes (exogenous causes)? *Psychological and sociological causes, political and ideological causes.*

Mr. Rüstow: Our earlier discussions have led to the common conviction that, of all possible economic systems, it is the system of liberalism, of the economy of the free market, that combines the following advantages:

1. It is a system that is durable on its own because it is in stable equilibrium.
2. It ensures the maximum degree of productivity and the highest standard of living.
3. It alone is reconcilable with freedom and with the dignity of man.

But, the greater the persuasive force of such a set of advantages, the more difficult it is to understand why humanity, which in the course of the nineteenth century obtained extraordinary results thanks to this system, has brusquely turned itself away from it in demonstrating a violent dislike towards it.

Is this U-turn based only on foolishness and stupidity? Is the precise theory of the balance of trade and the balance of payments really the mark under which we will prevail in the struggle for the return to liberalism?

Does the solution to this enigma not instead lie in the fact that [this] is not at all a purely economic question and that, as a result, it is wholly useless to endlessly extol the economic advantages of a system that one has come to despise, just as it would be ineffective to extol the modern comforts of a city residence to someone who is only willing to accept country living?

In our previous discussions, we have limited ourselves to the economic realm as though the social institution had fulfilled its task when all men are busy and receive, [in exchange] for a moderate working time, a sufficient income.

That is to forget that man does not live by bread alone, that he is led by the concern of obtaining and maintaining a social situation that is not simply proportional to the level of income and inversely proportional to working time. Thus, the farmer is usually more satisfied with his social situation than the worker,¹ in spite of a much longer working time and an income of which the value in money is much lower. Because, in spite of these disadvantages, the farmer rejoices in the psychological satisfaction of being his own master on his own land, land that he has inherited and that he will leave to his descendants upon his death; he lives among his family, in close working community with it; he is master of the employment of his work force and of his working time; he is not subject to any foreign constraint; he is close to the land, connected to nature, and his work is understandable to him, and can be grasped at a glance.

With this in mind, it is apparent that the most important economic-social task is to give to the economy such a form not that it provides to the greatest possible number of men the highest possible income, but [rather] a living situation [*situation vitale*] that is as satisfying as possible. Precisely, liberalism (and even more so socialism) generally used to be far removed from describing the problem in this manner. Conservatism often had a better grasp of this important aspect of things, but it has discredited this way of seeing things by the abuse that has been made of it as the cockhorse² of a policy of selfish interests without scruples.

The economic point of view is insufficient to appreciate the living situation [*situation vitale*]. Man is a naturally social being, so much so that, for his life and for the appreciation of the life he leads, social integration is essential. It is why it is necessary, but not at all sufficient, that he find himself,

as a general rule, among his equals. Even in the smallest and most intimate community of two human beings, in marriage, there exist at two extremes the happy marriage and the unhappy marriage; the happy marriage is characterized by voluntarily living together, harmony, understanding, the having in common of notions, of ideas, and of goals; the unhappy marriage is found in the lack of all that and persists through external constraint. And, between these two limited cases, there is as an intermediate degree the cold marriage of reason, in which [the couple] stays together more or less voluntarily but with apathy and with ill-humour. The same is true of society and the national community. This “big marriage” can also be happy or unhappy; it can also persist through sympathy, reason, or constraint.

The two essential sociological conditions for perfection, health, and happiness of the large as well as of the small marriage are *unity* and *freedom*. Whereas freedom, spontaneity, joyous, and voluntary adherence, coming from the deepest part of the being himself, is a quality of social relations that does not require additional comment, the same is not true of unity. Already in the “small” marriage, unity does not have as simple and as evident a structure as may seem. The structural laws of unity in the “big marriage” are at an even greater need of being spelled out. Here, in general, the principle of hierarchy, of the pyramid structure, holds and this requirement becomes all the more important as the community in question is larger, as the division of work is more advanced, that is to say as the cultural level is higher.

In the development of Western peoples, the requirement for unity and the hierarchical structure it implies were fulfilled until the eighteenth century in the State and in society as in religion, mores, etc. But this fulfillment had a wholly feudal, seigniorial character: it was in contradiction to the other basic requirement, that of freedom. This is the reason for the revolutions of the eighteenth and nineteenth centuries against the feudal regime. That is where the origin of liberalism is, but also the disastrous error that has brought about its false position. Instead of, notably, replacing the artificial and forced stratification [*échelonnement*] of feudal seignury with voluntary and natural hierarchy, one threw out the good and the bad, one denied the principle of stratification in general and one put in its place the false and erroneous idea of equality and the partial and insufficient ideal of fraternity; because, in the small as in the large family, more important than the relationship of brother to brother is the relationship between parents and children, ensuring the succession of generations that maintains the flow of cultural tradition.

The effect of such a negation of the internal and natural structural principle of unity was to shatter and break down unity itself over time. What followed, to an ever more worrisome degree, [were] these pathological symptoms that are the dilapidation of heritages and the atomization of society.

These general trends towards dissolution in the social and spiritual realms collided in a fatal way with a very special development in the economic realm. The great discovery of the automatism of the market economy emerged in the eighteenth century out of the secularization of a belief of theological origins, dating, beyond the Portique³ to Heraclitus, in the divine, invisible and unknown reason of the world acting behind the backs of the parties concerned as a natural, reasonable, and salutary law. As a result of the survival of this theological belief, the laws of the market (according to the equation *deus sive natura*)⁴ were regarded as natural and divine laws, upon which the same dignity and even the same universality as those of mathematics were conferred. In their presence, man had to do nothing except remove artificial obstacles that the silliness and the stupidity of men had put up against their beneficial functioning.

The fact that the market economy is, as we all know today, based on very specific institutional conditions, created and maintained voluntarily by men, and that it can function without friction and effectively only if a strong and independent State ensures the precise observance of these conditions, this fundamental fact, as well as its practical consequences of decisive importance, has been completely obscured by the theological-rational error pertaining to the nature of the laws of the market. This has led, in two directions, to fatal consequences.

The coincidence of the selfish individual interest with the general interest that liberalism discovered and proclaimed with enthusiasm to be the mystery of the market economy applies only within the limits of the free competition of services, and, as a result, only to the extent that the State, tasked with policing the market, keeps watch that the economic actors very carefully observe these limits. But as the State of the liberal era has increasingly lacked the knowledge and the force necessary to fulfill this role, these critical limits have been breached more and more; the economy has degenerated and it has brought about these pathological phenomena from which it has not yet recovered today.

This degeneration of the economy, in flagrant contradiction to the optimistic prophecies of the theorists of liberalism, has been the most

visible, but not the most serious consequence of this error. The sociological consequences have been more devastating still.

From the sociological perspective, the market mechanism is based on the fact that participants behave at the table of market economics as *homines oeconomici*, that is to say in respecting the purely rational rules of the play of competition. That which makes for the specific essence of the market economy, is that at its core all irrational, spontaneous, human relations between interested parties are eliminated—contrary to that which took place in fraternal organizations, based on religious and ethical foundations, of the corporative economy of the Middle Ages. As a result, the market has become a realm of atomization, from which any vital integration [*intégration vitale*] is absent. The functioning of the economic system does not suffer damage from it, rather it depends on it. That which, sociologically, appears as a lack of integration, appears, from the viewpoint of the market economy, as a release of frictions and extra-economic brakings [*freinages*].

It is from there that sociologically, the need for compensation originates: so as to be able to release, without harm to the whole of the social body, the link of integration in certain areas, this link has to be reinforced [just] as much elsewhere; specifically, the domains of technically determined disintegration have to be all the more securely and solidly confined and circumscribed; such is the sociological aspect of the necessity, that we have justified earlier, of a severe policing of the market by the State.

Exactly the opposite occurred, however. Instead of additional integration, necessary as compensation, a general disintegration developed, even outside the market. The atomic structure, which could only be justified on condition of being limited in the most severe way to the domain of the market, has expanded without restraint to the whole organism. Such has been the result of liberal practice; and, at the same time, such has been the consequence of certain blindnesses of liberal theory, otherwise correct.

The fact that one has ignored and neglected the necessary limitation of the struggle of economic interests through the policing of the market, exercised by a strong and independent State, has made possible this dissolution of the people in a multitude of interests that have fought for the seizure of political power as loot. Henceforth, the fate of democracy was foreseeable. As long as none of these interest groups were strong enough to conquer the State alone, we have seen coalitions designed to seize power together with promise of a proportional distribution of the

loot between the partners of this limited liability company. Typical manifestations of political pluralism have emerged. But as soon as one grouping was strong enough to seize power alone or to be able to eliminate later on the weaker partners, the pluralist State, with multiple parties, was transformed into a totalitarian State with a single party.

In this way, over the course of the last several decades, as a result of a misunderstanding of freedom, the natural unity of the hierarchically integrated society has been lost.

Man needs freedom *and* unity just as he needs to eat and drink. But, just as he can live longer, if necessary, without eating than without drinking; so he can clearly live longer without freedom than without unity. He has lived without freedom for millennia. He could not endure two centuries without unity.

Lack of integration, thirst for integration, such was the most serious social ill of the after-war period, and we know how those who are thirsty throw themselves even on the dirtiest puddles.

But the lack of integration can be compensated neither by wage increases nor by restrictions on [the length of] working hours; to the contrary, both of them make it even more keenly felt. There is the key reason why the Western working class, despite a continuous improvement of its material situation, far from being more satisfied, has been more dissatisfied.

To sum up, the great crisis in which we find ourselves is not, at its core, an economic crisis, but a vital crisis [*crise vitale*] in general and a crisis of integration in particular. Its economic manifestations are merely the secondary symptoms of a more profound disease of the social body. Liberalism has had the lead in this development and it has brought the world to its current crisis. But the blame does not lie with its theory of the market economy that, to the contrary, in the main was and is correct. Instead, the blame lies with the inadequacy of its sociological conceptions. Liberalism ignored and neglected, unfortunately, the central role of vital irrational needs and, specifically, that of the integration of man. It is true that it [liberalism] is correct when it affirms that violence, coercion, and the absence of freedom decompose social life also. But it is not enough to eliminate them. Social life is subject to an abundance of immanent structural laws, of which the requirements have to be fulfilled if social life is to unfold soundly and naturally, and if it is to ensure men the necessary vital [living] satisfaction. If, in the interest of optimum productivity of the collective and of the

maximum independence of the individual, the economy of this social body is organized according to the rules of the market economy, the new and accrued integration needs have to be satisfied. It is because liberalism has been insufficiently aware of these laws, it is because it has not sufficiently satisfied these needs, that it has failed politically and economically. Today, on the basis of this failure, we are in grave danger of seeing thrown overboard all that is positive and worthwhile in liberalism, to lapse into despotism and into the adoration of force of the pre-liberal era.

Faced with this state of affairs, it is necessary to renovate liberalism, to move past its serious errors, to fill the harmful gaps that have led to its catastrophe.

It is the great merit of Walter Lippmann, in his book, and, in an even more explicit manner, here, in his opening address, to have justified this need and to have begun this work.

Mr. Polanyi: The popular movements that have led to the destruction of liberalism and of the human values that are attached to it are due to a lack of understanding of economic principles for which one has substituted the passionate conviction of the need to control economic life by force. It is what Mr. Rueff has established authoritatively, as has Mr. Detoeuf; it is also what the remarks of a certain number of the participants of the Colloquium implied. The resort to reason is repudiated and the mind abandons itself to fixed ideas that are inculcated with barbaric violence. We live in a state of mental derangement. If one seeks the roots of this mental disturbance, one should go back to the very principles of utilitarian theory to discover there a fundamentally erroneous conception of the biological conditions of satisfaction. Utilitarian theory claims that the satisfaction of needs leads to satisfaction. I insist that this is false; that even higher animals are in no way always satisfied with sufficient nourishment, but that they still need to understand the mechanism of their vital condition. This, of course, is even more true of human beings.

Here is an example: one conducts an experiment with three sets of rats that one feeds by giving, to the first, a certain quantity of food each day; to the second, the same quantity every two days; to the third, always the same quantity, but only every three days. All prosper admirably, the rich rats, the "middle class" rats, and the poor. But if a fourth set of rats is fed at irregular intervals ranging from one to three days, these rats perish. They perish because their organism is plunged into a state of confusion, and their digestive reflexes are mangled: they die of disorder.

The behavior of more evolved animals, such as dogs, is similar to our human problem. I refer to the experiments of Pavlov that rendered dogs mad. Pavlov trained a dog to expect to receive food; this dog secreted gastric juice when a circle of light appeared on a screen. He trained the dog to not expect the food and to refrain from manifesting signs of appetite when a flattened ellipsis appeared on the screen. Once the dog had fully understood this lesson, Pavlov endeavored to train it to distinguish the circle from a series of ellipses that were less and less flat, that is to say [ellipses] approaching more and more circular form. He continued in this way with success, making the symbol of "food" and "no food" increasingly difficult to distinguish. At a certain point, however, the dog became unsure of his choice. But Pavlov tried to educate the dog beyond this limit and continued the experiment for three months. The result nevertheless was not an improvement in the training of the dog, but a complete collapse in its ability to discriminate. It had, in fact, lost even the most elementary ability, having become incapable of distinguishing even the flattest ellipse from the circle. At the same time, it showed signs of general disorder, going from docile to impatient and violent, biting his leashes and suffering from wild convulsions. In brief, as Pavlov declared, it fell in a state of acute psychosis.

This dog lost its control when its faculties of understanding found themselves overworked: it had become too difficult for the dog to distinguish between the sign announcing food and the sign that announced deprivation. Its satisfaction was destroyed not by lack of nourishment, but by that which Pavlov described as a conflict between excitement and inhibition, a conflict that was too difficult for its brain to resolve.

The distress of the dog is out of the realm of the application of utilitarian principles; the same is true, I think, of the distress of our era. I think that the mental disturbance that threatens our civilization comes from a state of permanent perplexity [*perplexité*]; a perplexity reinforced by its own mental consequences, from the fact that with the loss of understanding of the economic phenomena of today's world, the actions of society become more and more confused in its own eyes, at the same time that its frame of mind becomes more and more prone to violent unrest.

The perplexities provoked by the current economic phenomena generally stem from the fact that many interventions that provide or seem to provide immediate local and momentary advantages unleash repercussions that extend to the rest of economic life, these outcomes counteracting and annihilating the positive effects one had expected from the original intervention.

I will mention only three phenomena without which German National Socialism would probably never have taken shape. These are reparations, the inflation of the Mark, and the unemployment during the Great Depression. All three imply reactions in the economic system that are incomprehensible to most people. And, I am firmly convinced of it, it is not the real sufferings that these three phenomena presented, but essentially their frightening and exasperating nature that has provoked the violent reactions we have witnessed.

An even more serious conflict appears in the moral realm between the personal conception, and the social aspect, of the economic activity of the liberal world. The production of goods intended for the market is put to the service of the community by the proverbial "invisible hand". But the hand is invisible. One sees only the activity of the individual who is clearly only directed towards his personal interest. The individual does not even feel that he is useful to whoever it may be. He does not know, either, where the boundary lies between a personal activity that is social in its effects, and an anti-social activity. He is frustrated in his social sense; he is plunged into perplexity with regard to the scope of his social duties.

A great number of the most influential critics of the liberal system have spoken out against this spiritual weakness. Morris, Carlyle, Ruskin, and Tawney in England, Burckhardt, Paul Ernst, and many others in Germany have rejected human cooperation through "cash-nexus".⁵ The attack of Marx against commodity fetishism and his ideal of production for needs instead of a production for the market expresses the same all-powerful motive.

Central planning by the totalitarian States simplifies economic life. It aims to replace a puzzling and manifold mechanism with control.⁶ Whereas the economic results of this act of violence translate into a budget deficit, the acquired spiritual advantages are immense. In Russia, as in Germany, economic cooperation has been raised to a conscious social goal. That is how these regimes maintain their grip on their populations, how they make them feel that, in spite of the loss of their liberties, they live a more noble life than the people who are guided in their daily life only by a blind personal interest.

The totalitarians have given economic consciousness to their people while destroying freedom. Liberalism should ensure economic consciousness by [casting] light. It is imperative that people must be made aware of the workings of economic life. Economic education would create a grassroots power able to tackle the ills that it is possible to remedy

and would allow people to recognize that it is impossible to easily remedy all economic frictions and injustices. But above all, economic teaching would rip open the cloud that currently hides “the invisible hand” and would open the eyes of the people to the great cooperation represented by the life of the market where they participate without any moral awareness of the role they play in it.

Mr. Rougier: I would like to add a remark to those of Mr. Polanyi on the insufficiency of psychological theory—too rationalist and intellectual—that the principles of utilitarian philosophy imply. A student of Pavlov, [Wladimir] Drabovitch, has written a book titled: *The fragility of freedom and the seduction of dictatorships* (Mercure de France publishers, 1934). In this book, he makes use of an interesting study by Pavlov on the loss of the instinct of freedom in wild animals. Pavlov had the idea to subject these animals to a diet of under-nourishment; they lost their instinct for freedom and became passive. The same was true of the under-nourished masses after the war. They lost the instinct of freedom for the quest of security. They have become lifeless, herdlike, and passive. They have given themselves to [the one] who has promised them a cafeteria and a uniform. The more an economy is liberal, the more it exalts individualism and personal pride, the more it suppresses the instinct of control [encadrement]. The system [*régime*] of freedom is the system of abundance.

Mr. Marlio: There is a psychological side that has been correctly analyzed. There is not only the natural instinct of the under-nourished man who, provided that one assures him that he will not die of hunger, is ready to give up his freedom. There is also the fact that, in totalitarian regimes, the under-nourished masses completely relinquish themselves to the dictator in whom they place their last hope and who persuades them that he leads them towards happiness.

In Russia, I have seen to what degree the population, almost in an animal-like state, easily accepted this system [*régime*]. I have seen crowds of 200 to 300 people wait in line 5 to 6 hours to be able to buy a pair of soles or a piece of bread. When one asked them about this, these people would answer you: “That does not go very well, certainly, but there’s the future; besides, we are told that it goes very well!” They were not very dissatisfied. On the other hand, workers, engineers, found the situation horrifying.

That which Mr. Rougier says is correct. Someone who feels gravely weakened prefers to sacrifice wealth for security. And, to be assured, he

must have an assurer [*un assureur*] that can only be a totalitarian regime acting through coercion or through persuasion.

Mr. Mises: One cannot deny, I think, that the dissatisfaction that has drove the masses in various countries to adhere to parties having instituted, or aiming to institute, totalitarian dictatorships was motivated by their economic situation. No one will deny, obviously, that the Marxists have promised to the popular masses, above all else, an increase in living standards. The same can be said of the anti-Marxist parties. These also promise to their supporters an improvement, in the first place, of economic living conditions. They will say for example to their supporters: "It is the conditions imposed by the Peace Treaties that are at the origin of your misery. We have to conquer territories possessing raw material resources. Our duty is to fight against Western capitalism, which exploits us. We are proletarian nations, whereas other peoples have more than their due." In asserting for example that "cannons are more essential to them than butter", they imply: the cannons will enable us to conquer the means to create thereafter a state of greater well-being. If they demand sacrifices of their countrymen, they reckon that these sacrifices will only be temporary in scope and will be more than offset, afterwards, by the results of a policy of this kind.

Only writers and theorists extol the ideal of a life of poverty. Demagogues always dangle before the masses the prospect of an improvement of their living conditions.

I will not dispute that there exist other causes of dissatisfaction still, besides the strictly economic ones. I am even convinced of it. There exists for example, in the social environments of military officers, civil servants and the liberal professions a certain sourness driven by the upward mobility of the working class and by the progressive democratization of life that has led to the disappearance of old social hierarchical distinctions. Women belonging to these social environments complain, in particular, of these inferior social classes having lost the sense of respect and of submission to authority. Emigrants, belonging to the middle classes of the countries of central and Eastern Europe and who, after having established themselves in the United States of America or in the British dominions, have acquired there a much superior position, from an economic point of view, [compared] to the one they could have hoped to attain in their country of origin, often regret with a certain nostalgia the social privileges they had enjoyed in these latter countries. They enjoy a palpable economic well-being,

but feel a bit cast down, because the environment in which they live does not allow for their pretenses to a superior and privileged social position.

I will not deny also that the masses have a certain penchant for cruelty, revenge and even sadism. The leaders of totalitarian States were able to seize on this aspect of their psychology perfectly, and through their policies they strive to satisfy the atavistic instincts of this kind.

It is nevertheless important to emphasize clearly that one cannot, in giving an account of these factors and of other similar factors, find a plausible justification for anti-liberal policies [*la politique anti-libérale*⁷]. The leveling that one complains about originates precisely in the fact that the privileges of certain social groups have been abolished.

One cannot see anything other than a simple romantic bias in the statement that men had more joy in work in the pre-capitalist era than do workers in modern factories. I believe that Mr. Rüstow, too conforms to the romantic outlook when he argues that the farmer is more satisfied than the worker. An undeniable fact is that, in the last 100 years, many millions of men have given up their agricultural occupations for industrial work, which could not be considered certain proof of the greater satisfaction that agricultural activity allegedly brought them.

I doubt that the masses [*les masses populaires*] are, in Russia, as happy as Mr. Polanyi believes. If they nevertheless feel satisfied, despite miserable living conditions, it is not because the conviction has been inculcated in them that only totalitarian regimes work for the common good. They have been completely cut off from the rest of the world and the belief has been successfully conveyed to them that they are, from an economic point of view, in a more favorable situation than “exploited” workers of capitalist society are. I had the opportunity to observe, several years ago, the very great astonishment shown by members of a Soviet commission of studies sent to Western countries—and who were by the way of a very high intellectual level and who were familiar with European culture—when they discovered that the masses of Vienna, of Berlin and of Paris lived in conditions incomparably superior to those that prevailed in Moscow and in Leningrad. These cultured men, knowledgeable of European languages, had imagined, they as well, that the fate of workers was better in Russia than anywhere else in the world!

Mr. Rüstow: That which one erroneously calls the “rural exodus”, that is to say the passing of labor to industry originating in agriculture—a passing determined by technical progress—can based on the laws of the

market only come about when appears, to the detriment of agriculture, a difference between the level of income of work in industry and the income of work in agriculture, this bringing about a stream from the lowest-income labor towards the highest. The only question here is this: how significant does the difference (the "threshold") have to be [in order] to give rise to emigration? To this point, experience in Germany and in other countries shows that the difference calculated on the basis of the value in money of the worker's wages, for the same working time, must as a general rule take on a striking importance before leading to the abandonment of a small-scale farming situation for work in the city. Certainly, most of those who take part in the "rural exodus" are not farmers, but agricultural workers or redundant sons of farmers and without the future prospect of their own farm; nevertheless, even for them, the "threshold" is still very high. As a result, the polemical allusion of Mr. von Mises towards the rural exodus does not affect me. Because the importance that this threshold must take, the foregone income constituted by the difference in the value in money of the income of farm work and the value in money of the income of the factory worker, before the "rural exodus" comes into being, shows precisely how much the farmer values the non-monetary advantages of his living situation [*situation vitale*] and the monetary disadvantages he is willing to bear in compensation.

By the way, when Mr. von Hayek doubts that the scale of vital needs estimates that I espouse is reconcilable with the position of traditional liberalism, he is certainly right. Right there is precisely one of the essential points that my friends and I consider to be an indispensable transformation, to be a renovation, of the traditional liberal position that has been taken.

If I see, in addition, in the vital need of integration, hitherto insufficiently satisfied, an essential reason for the success of National Socialism and of Fascism, that clearly does not mean that I consider justified and worthy of praise the way in which this well-founded need now finds itself satisfied. I only think that we have no chance of succeeding against this movement if we do not discern and recognize the need that lies at its foundation and if we do not have a better means of satisfying it to offer.

All things considered, it is undeniable that here, in our circle, two different points of view are represented.

One group does not find anything essential to criticize or to change in traditional liberalism, such as it was and such as it is, apart from, naturally, the adjustments and the current developments that are self-evident.

In their view, the responsibility for all the misfortune falls exclusively on the opposite side, on those who, out of stupidity or out of malice, or through a mixture of both, cannot or do not want to discern and observe the salutary truths of liberalism.

We, on the other hand, we seek the responsibility for the decline of liberalism in liberalism itself; and, therefore, we seek the solution in a fundamental renewal of liberalism.

In order to justify in a positive manner this second point of view, I have to refer to what I have said and, especially, to the excellent arguments of Mr. Lippmann.

Here, I would only like to draw attention to the fact that if the unwavering representatives of old liberalism were right, the practical prospects [for liberalism] would be almost hopeless. Because it does not really seem that old liberalism has gained in persuasive and in seductive force or that the arguments, no matter how shrewd they may be, of these representatives have the least possibility of bringing about a conversion movement within the realm of Bolshevism, Fascism, or of National Socialism. If they have not listened to Moses and the prophets—Adam Smith and Ricardo—how will they believe Mr. von Mises?

If, on the other hand, the responsibility, and, consequently, the *onus reformandi* find themselves in the first place on our side, then the prospects are much less bleak. Because it is only a matter of us minding our own business, and no one will be able to stop us from doing that. In what way will a completely renovated liberalism, such as we envision it, affect the economic-political systems? That will require at least being put to the test; that at least is not yet resolved in a negative manner. And, as for the rest, all will depend largely on the way in which we will go about our work.

Mr. Condliffe: Those who are here are convinced that the liberal philosophy is the best one; but they cannot be in agreement with restricting themselves to an apologia for a bygone economic system. This system has produced certain benefits but one cannot sustain a system that has brought about ills such as the London slums, the large financial groups, etc. The same is true of the expansion of credit. The fixed interest rates born of the war are unbearable for the masses. They have been imposed by people who have not had to make sacrifices for them and it is consumers who will suffer the consequences of them.

It will be necessary to reduce monopolies, re-establish the equality of classes, notably in education.

As long as the public has the impression that the invisible hand that powers the system is that of individuals who act only in their own interest, it will be impossible to sustain the system. It is necessary to make clear and understandable to the mass the social role of the system, that is to say how work must contribute to the enrichment of all.

Mr. Marjolin: In the preceding discussions, one has often contrasted liberalism, insofar as it is a rational view of the world, to ideologies understood to be manifestations of sentiment and passion. This way of seeing things seems to me fundamentally wrong. Liberalism does not justify itself rationally, not more than communism or fascism. Like those, it is an ideology. The problem lies in determining the conditions of the appearance and the survival of liberal ideology, of researching in particular if this ideology was not necessarily doomed to disappear.

We should not, as Marx thought, explain the decadence of liberalism by the endogenous development of the capitalist system, at least if one understands by this latter term merely a certain economic mechanism. But if one accepts that the freeing of exchange rates has given birth to large-scale industry and large-scale industry to a large industrial proletariat, one can, parallel to the dialectic of the development of the economic system, conceive of a social dialectic, a dialectic of classes. When the proletariat had acquired sufficient power to influence the State in a decisive manner, liberalism was doomed.

Crises are perhaps not inevitable, but it was inevitable that the proletariat would exercise influence over government.

In a discussion on the virtues of liberalism, there would be no point in objecting to a worker that given the distribution of wealth and income, this system [*régime*] achieves the maximum [degree] of utility. The distribution of wealth and of incomes between individuals is an irrational phenomenon, purely historical, that will never win acceptance by those who are in the inferior classes, as long as, at least, they will not have an awareness that this distribution is carried out as a function of criteria that they agree with.

Mr. Castillejo: A country cannot be classified as good or bad because it is liberal or totalitarian. One should not lose sight of the fact that a country can pass suddenly from freedom to dictatorship (example: Spain).

Neither liberalism nor democracy is the result of the conscious will of the whole or of the majority of individuals, but rather the product of various elements.

The root of the current situation is not economic. For example, in Spain, the revolution has been the consequence of a democracy without a solid foundation. Democracy is a phenomenon that has existed only on a footing of ideas that cannot be easily shaken: an economic order and a legal order. The legal order has been deemed the result, depending on the period,

1. of Divine will;
2. of reason;
3. of the soul of the people (Savigny);
4. of a logical form (Kant and Stammler).

All these solutions comprised an unchangeable or shakable element, and another (subject to change) of growth and adaptation.

But, under the influence of democratic ideas, it was said that the majority was sovereign, and that the law and the legal order were but the expression of the will of the people at each instant, free of any restriction. That has ruined the legal system on which democracy was based. In Spain, it was said: "Given that we are masters, let us change the laws so as to be able to distribute wealth"—"amongst the masses", under the socialist governments, and "amongst the privileged" under the reactionary governments. The most dangerous demagogues were not those who had the lowest wages, but those who had lived a more comfortable life and those who had a certain culture. They became aware of the situation and said: "We are the sovereigns".

Totalitarianism has only been the form given to the revolution by the leading minority to satisfy the people and make of them the instrument of a certain ambition or of a certain ideal. But any totalitarianism has a tendency toward freedom,⁸ because, from totalitarianism one cannot pass to democracy. To exit it one has to begin with a system [*régime*] of freedom without democracy. The attitude of men of science should not be to blame the totalitarian States, because in reality they are [totalitarian] in spite of themselves; but rather to open the paths, to provide the opportunities for their transformation into liberal States. It will be difficult for the democratic States to avoid some form or other of totalitarianism, although that of France cannot be similar to that of Germany and that of Russia, because there are differences in [national] character. All that we can do is accelerate the development and mitigate the damage.

Mr. Rougier: The word *democracy* contains a terrible ambivalence. There are two conceptions of democracy. The first is the idea of *liberal*

democracy, based on the limitation of the powers of the State, the respect for the rights of the individual and of the citizen, the subordination of legislative and executive power to a superior legal authority. The second is the idea of *socialistic democracy* [*la démocratie socialisante*] based on the notion of popular sovereignty. The first proceeds from theorists of the law of nations [*jus gentium*], Protestant publicists, American and French declarations [of human rights] and affirms the principle of the sovereignty of the individual; the second proceeds from Rousseau and affirms the principle of the sovereignty of the mass. The second is the negation of the first. It leads inevitably to demagoguery, and through demagoguery, to the totalitarian State. Once the masses, thanks to compulsory education, have come to realize that, through the mechanism of universal suffrage, based on the law of numbers, they can (being more numerous) take hold of the power of the State, they give themselves to the party that leads them to the assault on public authorities and they substitute, for the problem of the production of wealth, the demand for its immediate distribution among the most deprived classes. The State sinks into impoverishment and anarchy, and one can only pull it out of this, in appearance, by resorting to a dictatorial government. The best purveyors of totalitarian States are socialist demagogues.

Mr. Castillejo: Democracy has to be built with the support:

1. of the will of the people that expresses their needs;
2. of the technical method that draws on science and determines the means to attain the pursued ends;
3. of justice, which guarantees the defense of the individual against any force and any arbitrariness

But, it is necessary to separate these three factors. If one unites justice and popular will, one ends in the justice of the people of revolutionary Spain that leads to the suppression of any law and of any justice, exactly like the justice of a dictator. The justice of the people is a will of power, whereas the law and jurisprudence, [being the] work of legislators and jurists, are the art of handling the coexistence of wills in conflict.

When the people [*le peuple*] consider themselves sovereign and when they think that all will go well because they will be able to do anything, the essential principle of the liberal order is destroyed.

In the economic realm, one can say that the mass (the sovereign people) imagines that the problem of production can be resolved through the distribution of riches. It is the case of the agrarian [land] reform in Andalusia.

They had mixed a technical and economic problem with a political matter. It was about obtaining a more abundant production, but on the other hand, they wanted to expropriate large landowners to satisfy popular aspirations. The two goals did not always coincide with one another. There were sterile lands and fertile lands, and others [that] one had to irrigate; capital was needed. The matter has not been dealt with in the realm of production, but in the realm of distribution, from which a deplorable result followed.

What seems dangerous is the incomprehension displayed by the masses. It is on the masses that one has to act. How to do it unless the elite acts on them? A scientific education and a moral ideal in the minorities in power would provide the solution; but how to attain it? There is the problem!

Mr. Baudin: I would like to make a point by bringing out the common traits of the contributions of those who have spoken this morning, my only goal being to clear the way, without drawing conclusions.

In his very interesting presentation, Mr. Rüstow observed that happiness depended less on the level of income than on the social situation and gave as evidence that the farmer was more satisfied than the worker. Mr. Mises objected that the fact of the rural exodus disproved this proposition. These two points of view are not irreconcilable, it seems: it is enough to nuance the statement of Mr. Rüstow by speaking of “supposed” or “suggested”—and not real—social situation. For the farmer who enjoys, indeed, more freedom than the worker, [t]his life is surrounded by a halo. Generally, I agree with the opinion of Mr. Marlio: propaganda, dishonest or truthful advertising, suffices to give the social situation its happy or unhappy character. The totalitarian States persuade individuals that they are happy; the socialists have persuaded workers living in capitalist countries that their situation is miserable. All men are Russians in this regard.

On the other hand, it is certain, as Mr. Rüstow stated, that men seek unity. But one should not create ambiguity with regard to this word. The need for unity does not require uniformity; the controversy between Plato and Aristotle is still current! If we give to the word unity its exact expression, which is not leveling but complementarity, we have to understand that the liberal system of equilibrium provides unity. When individuals seek mutual support,⁹ it is not the desire of unity that propels them; it is the desire to imitate, a characteristic of the mass. In my view, this accounts for the notion that unity is compatible only with a dictatorship. The unity to which one refers, in speaking in such a manner, is the simplistic notion of unity-uniformity.

I now touch upon the contribution of Mr. Condliffe who has drawn attention to the abuses of liberalism. No doubt, there have been [abuses], but the presence of abuses is not enough to condemn a system. Any human creation can be the source of abuse; none is perfect because man is imperfect.

It is obvious that one cannot condemn liberalism further on the pretext that it lacks a moral base. Liberalism requires morality like any other system that does not entail a narrow dictatorship. Being a system [*régime*] of contracts, it [liberalism] implies the respect for commitments. The dilemma is inevitable: either morality or coercion. If one does not accept a minimum of morality, one should not speak any longer of the individual as such, one has to institute tyranny. Certainly, this minimum of morality does not always exist. All the more reason to attempt to obtain it; it is a question of educating the public. Almost everything is to be done in this domain. The American crisis of 1929–1930 has revealed to us just how immense the absence of this education was in our era. The mass today has to be moralized if one wants liberalism to be able to function.

Mr. Marjolin, from his side, has indicated that the distribution of individuals into social classes is a historical fact, but an irrational one. No doubt, workers have suffered yesterday from this distribution, savers and *petits bourgeois* suffer from it today. But we should not assume that the victims seek to rectify injustices; they seek most often to create additional injustices to their benefit. We observe it today in France. On the one hand, workers demand the leveling of salaries to the detriment of those among them who are skilled; on the other hand, they oppose this leveling as soon as it pertains to women and children whom they intend to keep in an inferior position. Those who have had to arbitrate conflicts know this. What's more, flagrant inequalities appear between workers of nationalized factories and those [who work in] other [non-nationalized] businesses.

Last, I fully support the assessments of Mr. Castillejo. Democracy, believing itself sovereign, fancies itself able to transform at will the economy by changing the legal order [*régime*]. It thus transposes to the realm of distribution that which belongs to the realm of production. A typical example is provided by the agrarian [land] reform of 1932 in Andalusia. The Spanish government believed that it was enough to expropriate lands and to distribute them among residents to increase general wealth. However, most of the lands [that had been] left uncultivated were sterile. They should have begun by irrigating the soil, instructing the residents, providing them with equipment, appropriating loans for them, etc.

The result of the reform has been general discontent. A state of anarchy developed in Andalusia in a disturbing manner, prelude to other more grave events of which we are today the witnesses.

NOTES

1. That is to say the industrial proletariat.—Ed.
2. A “cheval de renfort”, or cockhorse, is an extra horse added to a stagecoach in order to assist in passing over difficult terrain.—Ed.
3. The Stoic school of philosophy established by Zenon.—Ed.
4. God or nature, Spinoza’s famous formula that God and nature are interchangeable.
5. This is Thomas Carlyle’s famous formula to criticize capitalist society; it was taken up textually by Marx and Engels in their Communist Manifesto, published in 1848 (Carlyle 1980; Nisbet 1993, 26).—Ed.
6. The term used here is “*la réglementation*”, an all-encompassing set of rules and controls, not to be confused with the “regulation” that exists in a market economy such as telecommunications “regulations”.—Ed.
7. “La politique anti-libérale refers not to one measure, but a whole range of policies; an anti-liberal way of governing, economically and politically.—Ed.
8. “*Mais tout totalitarisme a une tendance à la liberté*”.
9. “*Coude à coude*” in the sense of solidarity shoulder to shoulder, or side by side.—Ed.

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The Agenda of Liberalism

Morning session of Tuesday, August 20th

Mr. Rougier: Today we discuss the agenda of remedies for the decline of liberalism, drawn from the analysis of its causes. It is time to yield the floor to the author of the work that is under discussion, *The Good Society*, to Walter Lippmann.

Mr. Lippmann: The discussions that have taken place encourage me. The question on the agenda, today, is the Agenda of Liberalism.

It is a question of formulating certain theoretical propositions permitting the return to liberalism. It seems that successive liberal ideological currents over the past seventy years have sinned by ignorance and powerlessness, because the solutions proposed by the liberals from that time have not succeeded in satisfying either the masses or the elites. A fundamental requirement has to be the need to renew liberalism in such a way to make it into a new doctrine, capable of providing questions and answers that might satisfy everyone. Here is, in this regard, what I also believe to be the agenda of liberalism.

1. Economic liberalism recognizes as a fundamental premise that only the pricing mechanism functioning in free markets allows for obtaining an organization of production likely to make the best use of the means of production and to lead to the maximum satisfaction of the wants of men, such as they are truly felt and not such that a central authority pretends to establish them in their name.
2. But the positions of equilibrium that are established in markets are affected, and can be influenced in a decisive manner by the laws of

property, contracts, groupings, associations, and collective moral persons, patents, bankruptcy, currency, banks, and the fiscal system. As these laws are the creation of the State, the responsibility is incumbent on the State to determine the legal system that serves as framework for the free development of economic activities.

3. Political liberalism holds as an essential premise that the legal system [*régime*] must be determined by virtue of a pre-established procedure, implying the elaboration of the law in the course of a representative debate. The solutions applied to specific cases must result from general norms; these norms themselves having been established beforehand.
4. The determination of the legal system [*régime*] constitutes the liberal method of social control. The aim of the legal system is to ensure the maximum of utility of production within the limits that other social aims can determine. These aims must be chosen through democratic procedure, and if they do not strive toward a maximum of utility, the liberal system demands that the choice for other aims be a deliberate one.
5. The organization of production on the basis of liberal principles does not preclude the allocation of a part of the national income, diverted from individual consumption, toward collective ends. A liberal State can and must levy through taxation a share of the national income and dedicate the resulting amount to the collective financing of:

- (A) National defense;
- (B) Social insurance;
- (C) Social services;
- (D) Education;
- (E) Scientific research.

6. In this way, therefore, even though liberalism has, as a fundamental postulate, the regularization of production through the pricing mechanism on the market, the system [*régime*] that we wish for recognizes:

- (A) That the prices of the market are influenced by the system [*régime*] of property and contracts.
- (B) That the maximum utility is a social good, but is not necessarily the only one that must be sought.

- (C) That, even when production is governed by the [market] pricing mechanism, the sacrifices that the functioning of the system entails can be put at the expense of the collective.¹ In this case, the transfer should be made not through indirect methods, but in full light of day, and the sacrifice asked of the collective has to be expressly and consciously consented to.

The intervention in this case must act on the causes of the situation that one wishes to rectify and not give to the State the means of arbitrarily modifying individual situations.

The system laid out in this way is the central thesis of Mr. Rueff on the [market] pricing mechanism as principal regulator. But beyond this system, there are two other domains that have to be examined.

One domain below: that of the legal system [*régime*] (laws on money, banks, etc....), where one must find remedies for ills such as partial or total monopolies, corporate concentration, etc...

Beyond prices, there is a system of principles that liberals cannot deny, regarding the manner in which the first national revenues should be spent. The problems presented by Mr. Rüstow have to receive their solution.

Mr. Rueff: These debates lead to a conclusion of great importance. I agree fully with the text of Mr. Lippmann. He lays down the foundations of a policy that I, for one, consider to be a left-liberal policy [*libérale de gauche*], because it tends to give to the most deprived classes the greatest degree of well-being possible. It is as such that I support the ideas of Mr. Lippmann without reservation.

Mr. Marlio: (A) I bring my full support, without reservation, to the excellently worded economic declaration.

As Mr. Lippmann says, at the moment and first and foremost, this is not about building the world or even a particular country, because in each country there are different situations and because this is a task that does not belong to us. I believe that it is a wise thing to try to define, in as brief and also as concentrated a way as possible, what can be the elements of a doctrine; then it is a matter of making an application of it [putting it into practice], whether it be general or partial, international or national.

The results of the works of the meeting can be twofold:

1. Extract a doctrine;
2. Discuss such or such a point to see what one can do in such or such a case. I think it is advisable that we pronounce ourselves for or against. We should not deceive ourselves.

(B) I agree with Mr. Rueff, but I would not want us to use the term “left liberalism” [*libéralisme de gauche*] because that does not seem right to me and I think that there are, today, more or less the same views on the left as on the right. Then, that would give the impression that we defend the cause of a political party.

I would prefer for this doctrine to be called “positive liberalism”, “social liberalism”, or “neo-liberalism”, but not the word left which indicates a political position. Political color should not intervene.

Mr. Auboin: The economic nationalisms that have shattered the financial mechanisms have resulted in making international cooperation even more necessary. Before the war, this cooperation was more implicit. International cooperation is insufficient because it only recommends that which one blames.

There is something very interesting in this flow of ideas that comes from the totalitarian ideas now [being] in force in several countries; they are no longer purely theoretical systems of which one can speak. People who delude themselves must be forced to discuss things such as they are. It is important to show that, in a democratic country, one cannot have an authoritarian system. It is important to show that that is incompatible, show also that one cannot stop on the way [to a totalitarian system]. Indeed, authoritarian systems [*régimes*] let themselves be brought about; one always begins by engaging in currency controls by saying that one does something of little importance, then, little by little, one reaches totalitarianism.

From the viewpoint of the notion that there are some economic mechanisms [that are] more efficient than others, one can discuss with anyone whether this or that method is better than the other. This is, therefore, very good terrain. The best result is not always achieved by individual initiative or by the free formation of prices. We would weaken the thesis if we were to maintain that *in all cases* personal initiative does better than the State. One must be conscious of what one is doing.

The blueprint of Mr. Lippmann allows for separating that which can be discussed and that which can meet practical needs. Such is the case of the raising of the price of wheat and the levying of a tax on gasoline.² Should we give 240 Francs to farmers and levy a tax on gas in order to pay them?

Mr. Marlio: I approve.

Mr. Röpke: The alternative that arises is knowing if we can avoid a choice between two types of societies, one accepting the free formation of [market] prices, the other organized on a basis other than competition.

What is needed is to:

1. Discover by which criterion we can determine the sector from which competition can be ousted;
2. Expect this new type of liberalism to be attacked by the old liberals

One should not make the mistake of accepting the existence of the proletariat in society as a fact. What are the principles that we should adopt? To what extent will it be possible to win acceptance of these new principles by the public? These are problems to resolve.

Mr. Castillejo: I agree with Mr. Lippmann.

It seems that we reached the central point: the intervention of the State in all of social life. I think that the intervention of the State cannot be designated as either good or bad *a priori* because one would have to find a rule to make the distinction. The liberal system [*régime*] with State intervention, such as it exists in England, is possible if this intervention seems indispensable and is carried out by means that respect the legal order and render the transformation that one has in mind imperceptible and gradual. That is not a matter of the quantity of interventions, but the source of a whole series of problems. In such and such a case,

1. Is the intervention necessary or not?
2. Will it attain its goal?
3. Will it bring about an ill greater than that which it purports to cure?
4. Will it be done by the qualified body, following the liberal principle and by the right method? It is that, which has to be determined.

The Romans had posited this principle: “a law shall never be enforced by the one who proposes it.” One should try to determine the limits and the qualitative character of the modes of intervention of the State. Its quantity cannot be established [*fixée*] in advance.

Mr. Heilperin: I congratulate Mr. Lippmann on his *Agenda*. The formulations are excellent.

Walter Lippmann is right to make the pricing and market mechanism the guiding agent of any liberal economy. He then specifies the necessity of a legal framework established by the State: as long as the State limits itself to arranging the framework of economic life and does not hinder the functioning of the price and market mechanism, nothing is going on that is contrary to liberalism. This gives a very objective and easy to establish

criterion. One can discuss if there is perfect competition or not, if the pricing mechanism is functioning effectively or not, and if it can function. It is very important to have as principle for the activity of the State and of the legislator a rigorous and established formula in any event. That is the great merit of this formula.

Could he not amplify the following point: in his book he gives us a variant of the relationship that exists between economic laws and economic reality. Here: "Economic laws and the scientific economy show the way, they show in which way harmony could manifest in the various factors."³ Their application leads to a formula of equilibrium. If economic laws can emerge from general formulas, one has to find what the barriers are to the functioning of the system. Hence monopolies form a barrier that does not necessarily result from industrial concentration. Worker mobility could be re-established by [re-]training [workers]. If in our final resolutions we could bring to the fore the pricing mechanism and the economic role [of prices], we could reach a solution.

Mr. Condliffe: I am not attached to any one economic system, because the fundamental needs of the individual are not identifiable with a particular social system.

I had wanted to find in Mr. Lippmann's presentation certain other, more constructive points, particularly with regard to the powers of the State and the legality of individual rights.

I ask myself if the proclamations made today should not have been made 15 years ago or so. I ask myself if it is not already too late. We should not under-estimate the degree of social resentment of individuals who are aware that they do not have the standing that they ought to have in society.

When I spoke of this problem in England, I witnessed a certain resentment and the argument that was raised against this new liberalism was that it would have for effect to reject all real reforms.

Mr. Hayek: Social resentment rises in the people [*le peuple*] gradually as they become aware that the economic situation of the different classes is due to a conscious determined direction of a political body, and depends on the individuals who take the decisions. It is very apparent in Germany. Thus, in Vienna, I was told that from the moment that it was apparent that economic policy could have a crucial and decisive impact on the circumstances of individuals, it was right to have taken sanctions against the Jews who were one of the most affluent classes of the population. If they were more affluent, this [allegedly] resulted from a bad policy of the

current government. It was therefore, [deemed] natural that a government take an opposite measure to put things back in their [rightful] place.

Mr. Rüstow: In the Lippmann plan, there are formulations, each of which hides a whole host of problems. For example:

1. "On the State is incumbent the responsibility..." But on what State? The democratic State in its current form can it bear this responsibility in an effective manner?
2. "The *maximum* utility is not necessarily the only social good that needs to be sought." But what are the other ones?
3. "Production is governed [*régie par*] by the pricing mechanism", but not society. So, what is the principle that governs society or that ought to govern it?

If one had tried to answer these questions, it would no doubt have been difficult to come to an agreement. That proves once again the extreme care with which the resolution is formulated.

Mr. Lippmann: The pessimistic remark by Mr. Condcliffe on our too-belated debates perhaps applies to England but not to the United States, especially if we consider that even in the course of the measures taken by the N.D. [New Deal] and the N.R.A. [National Recovery Administration], [people] have examined to what extent one could oppose the new system [*régime*].

Mr. Marlio: In reply to Mr. Condcliffe, I do not think that our decision is too late, because there are many countries that are in the midst of asking themselves where they will go. It is the case of France. I believe that a liberal crusade undertaken 50 years ago would have amounted to nothing, because it would have come up against the longing of all the masses that aspired to a greater prosperity by operation of different and opposed economic systems. The situation is very different when we have been able to see function, in reality, systems that had remained shrouded in myth, and when one has been able to assess the results they could give. Example: Marxism. The greatest weakness of Marxism is that it exists. Yet, 50 years ago, it did not exist.

I have followed the Russian experiment very closely and for several years I witnessed progress in the Russian economy; then the progress stopped and it has disappeared and has transformed into a bureaucracy with a class differentiation greater than in the liberal system.

There is no perfect economic system. One has to know which is the best and the least bad. At this moment, we say of a system that it is good in comparison to other systems, and our position is stronger now than it was 50 years ago.

For this manifesto, if we incur some criticism that does not matter to us. We are not engaged in politics but [in] science and we seek to identify in which directions it would have been preferable for States to lead their economy. It is up to States to listen to us or not. The validity [*bien-fondé*] of our doctrine will probably be all the better established as we will be attacked from both sides. I believe that our action comes at the [right] time.

Mr. Rueff: It is a political and not a scientific question that we have discussed: that of the rules to which the actions of governments have to be subjected.

NOTES

1. *La collectivité* refers in a general sense to the community, society, the State, and the (tax-paying) public, not the individual.
2. Here Auboin refers to the French State's interventions to raise the domestic price of wheat. The creation of the Wheat Office, the *Office national inter-professionnel du blé* (ONIB) in 1936 led to an increase in the price of wheat through concerted intervention (see Moulin 1988, 150).
3. This likely refers to this section: "The new mode of production, since it was based on the profitable exchange of specialized labor, envisaged a social order based on the harmony of interest among widely separated but collaborating men and communities" (Lippmann 1938, 193). –Ed.

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The Theoretical and Practical Problems of a Return to Liberalism

Afternoon session of Tuesday, August 30th

Mr. Rougier: The last session marked our agreement. The schism that I feared would occur has transformed into harmony. We can therefore proceed to the practical resolutions.

I believe that we agree on the principle of establishing a *Centre International d'Études pour la Rénovation du Libéralisme* [International Center of Studies for the Renovation of Liberalism]. This center will hold study sessions, plenary sessions, international colloquia. I would propose to you, at the end of this session, to entrust the organization of it to a committee. For the moment, our task is to establish the list of theoretical and practical problems that we will have to study to reach a definition as soon as possible of the position of renovated liberalism based on the Agenda proposed by Walter Lippmann. Personally, I do not see any [tasks] more urgent than the following:

1. Forms of intervention of public powers compatible with the [market] pricing mechanism.
2. The war economy: the prevention, the preparation, and conduct of the war do they preclude the liberal economy? Does total war [*la guerre totale*] imply the totalitarian State?
3. The liberal State. Conditions it has to fulfill? What should the structural reforms of existing democracies be to mature into truly liberal States? What temporary measures do liberal States have to impose in the presence of totalitarian States?

4. Economic policy of the liberal States amongst themselves. Organization of a society of nations practicing amongst themselves a liberal economy.
5. Problems of the coexistence of liberal economies and totalitarian economies. Economic and psychological policy of liberal States with regard to totalitarian States.
6. Problems of re-adjustment of a world tending toward war to a world tending toward peace. Re-absorption of totalitarian economies.
7. The problem of the liberal education of the elites and of the masses. Opponents of liberalism on the right and on the left.

Mr. Castillejo: The legal problem of the State dominates all the others and involves all political, social, and economic sciences. To broach it, we should distribute the work among several *rapporteurs*. Another problem is that of revolution. A revolution is not always an act of force, and any act of force cannot be deemed a revolution. The essence of a revolution is the political change that denies the prior legal State. The liberal State cannot be revolutionary. It must be based on the continuity of legal commitments. A State that proclaims not wanting to pay its debts engages in a more serious revolution than the disturbances that overthrow a government.

That which is specific to the liberal State is that the State is responsible [to] and subordinate to moral principles. The continuous economic, legal, and moral solvency of the State, this is the liberal system.

Mr. Marlio: The problems that the coexistence of democracies and totalitarian States presents are no less important. In a world in which some islands of democracy still exist that have not abandoned the liberal system and the [market] pricing mechanism, but in which totalitarian economies operate, what should the role of liberal governments be? Should they abstain from retaliatory measures or are they not led by the existence of other totalitarian States to take measures contrary to the ones they would wish to take if they were alone?

If a country takes measures forbidding certain things, should the countries that are affected by these measures retaliate?

Let us suppose, second, that the specter of war comes to recede; what would be the adjustment from a world tending toward war to a world oriented toward peace? What would be the consequences of it and what would be the path toward which it would be appropriate to orient the free movement of activities so as to avoid excessively strong shocks, when we would pass from an extreme system to a normal system?

Mr. Rueff: We are faced with an immediate problem. Answers to the questions asked would have a very real practical importance.

There is among us sufficient agreement for joint conclusions to be able to be immediately brought out.

The essential problem, that which holds all others in abeyance, is that of delineating the admissible interventions, that is to say those [interventions] that are not incompatible with the [market] pricing mechanism. It is the first problem to address.

Mr. Lippmann: The most important question is that of necessary and unnecessary interventions.

Mr. Mises: It is, effectively, beyond any doubt that the main problem to study will be that of the possibilities of and of the limits to interventionism. This colloquium should be prepared through the development of a report on the way in which economists have until now considered the matter.

Mr. Marlio has mentioned another problem, that of the causes of the failure of the League of Nations. It would be appropriate to study especially from this point of view the domestic political factors that, in various countries, have influenced the orientation of foreign policy in a direction unfavorable to the League of Nations. Perhaps Mr. Mantoux could present an introductory report about this problem.

Mr. Rougier: These responses show that we have correctly compiled the list of essential problems. I propose that next January we address in Paris, with Mr. Jacques Rueff as *rapporteur*, the problem of forms of intervention of public powers compatible with the [market] pricing mechanism, because the solution of this problem alone provides a definition of the liberal economy, which is that of the market. The problem of the liberal State, which one should not confuse with just any form of democracy (there are liberal democracies, authoritarian democracies, aristocratic, demagogical), could be the subject of the next international colloquium, in July or August 1939, in Paris.

These motions are adopted.

Now, we can proceed to the purely practical questions. Since we are all in agreement on the creation of a center of studies, I propose to you to adopt the name that Mr. Bourgeois suggests to me:

Centre International d'Études pour la Rénovation du Libéralisme (CIRL)

As head office, I propose to adopt a proposal of Louis Marlio:

Head office: Musée Social, 5 rue Las-Cases, Paris, VII¹

As regards the elaboration of the statutes of this center, I propose to entrust the elaboration of it to a committee of six members, constituted as follows:

Messrs.:

L. Baudin;
M. Bourgeois;
E. Mantoux;
L. Marlio;
L. Rougier;
J. Rueff.

In addition, this committee will be tasked with organizing the French section of the CIRL.

It seems only fitting to ask of Messrs. Walter Lippmann, F.A. von Hayek, Wilhelm Röpke, to organize the American, English, and Swiss sections of the center.

These various motions are adopted unanimously.

Final speech of Walter Lippmann who expresses his hope in the outcome of the Colloquium.

Final speech of Louis Rougier who thanks the participants of the congress.

Final speech of Louis Marlio who thanks, on behalf of the congress participants, Mr. Lippmann of whom the presence and the book *The Good Society* [*La Cité Libre*] provided the impetus for the Colloquium, and Mr. Rougier who took the initiative to convene it and bring it to a successful conclusion.

NOTES

1. The Musée Social was an important institution of French reformist and “social” thought.—Ed.

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