

Pro-Business Policies as Ideology

... when I was a young man, only the very old men still believed in the free-market system. When I was in my middle ages I myself and nobody else believed in it. And now I have the pleasure of having lived long enough to see that the young people again believe in it. And that is a very important change. FRIEDRICH VON HAYEK, 1978¹

Ideologies perform essential political functions of informing the public, mobilising supporters and energising leaders and other activists ... An effective ideology will mobilise political supporters to share the general beliefs and goals of a party, interest group or politician. PETER SELF²

In 1947, a group of 37 like-minded people from the US, Britain and Europe – economists, historians and journalists – met in a fashionable resort at Mont Pèlerin in Switzerland. They had been invited there by Friedrich von Hayek, an Austrian-born economic theoretician who worked at the London School of Economics.

Hayek's 1944 book *The Road to Serfdom*, was said to be 'the first intellectually respectable defense of free-market doctrine to have appeared in decades'. The book, which argued that government planning leads to dictatorship and that free markets should reign, was republished in condensed form by *Reader's Digest*. The Book-of-the-Month Club distributed over a million copies. In it Hayek looked back to the glories of free market England in the 19th century, ignoring the mass poverty and atrocious working conditions of the 'dark satanic mills'. Nor did he recognize the role of colonies, tariffs, export bounties and government legislation in maintaining this *laissez-faire* idyll.³

Joining Hayek at Mont Pèlerin was Ludwig von Mises, an Austrian libertarian economist and mentor to Hayek, whose writings at this time were being promoted and disseminated by the Foundation for Economic Education (FEE – see Chapter 4); Leonard Reed who had founded the FEE in the previous year; and Henry Hazlitt, FEE vice-president. FEE was said to have been the inspiration for Hayek to start his own group to 'train an army of fighters for freedom'. Another guest was American economist Milton Friedman. Like Hayek, Friedman promoted ideas that had been generally thought by contemporary economists to be discredited relics

of the past. Together they worked to foster a ‘belief in the superiority of markets over other ways of organizing economic activity’.⁴

The meeting was funded in part by the William Volker Fund, which paid the travel expenses of the ten Americans attending the meeting. William Volker had been a Kansas City businessman who became a millionaire by the time he was 43, selling household furnishings. He set up the William Volker Fund in 1932 and placed his nephew and employee, Harold Luhnnow, in charge in 1944. Under Luhnnow, who was friendly with various free market advocate businessmen – including Jasper Crane of DuPont and B.E. Hutchinson of Chrysler, both trustees for FEE – the fund gave money to a number of conservative free market causes including FEE, for which Luhnnow also became a trustee.⁵

Luhnnow used the fund to help free market economists who had been unable to get positions at US universities, including von Mises, whose salary it paid while he was a visiting professor at New York University for many years, and Hayek, whom it helped to get a position at the University of Chicago. The fund also paid for a series of lectures by Milton and Rose Friedman, and helped all these free market activists to meet and plan their strategies in places such as Mont Pèlerin.⁶

It was at a time when European nations were nationalizing public services and some industries and Hayek and his friends believed that this trend towards increased government planning and involvement in the economy needed to be stopped. At a subsequent meeting that year they formed the Mont Pèlerin Society to strive for the wider adoption of free-market policies. The society, which continued to meet regularly, and was presided over by Hayek until 1961, enabled extreme market ideologues who might otherwise have felt isolated or alienated to come together and plot change. It was a long-term project, and Hayek warned the others that they should expect a long-term, but winnable, struggle: ‘What to the contemporary observer appears as a battle of conflicting interests decided by the votes of the masses,’ he said, ‘has usually been decided long before in a battle of ideas confined to narrow circles.’⁷

The Mont Pèlerin Society was the seed that started a network of some 78 institutions. The society forged links with like-minded think tanks, corporations, governments and university economics departments, becoming the intellectual and ideological inspiration for economic fundamentalists around the world. Although the society itself has a very low profile it has exercised a strong influence through its more than 500 members – who hold key positions in government, government bureaucracies and in an array of think tanks – as well as its informal networks.⁸

The efforts of the Mont Pèlerin Society would have come to nothing, however, had business interests not embraced their ideas and poured money into their networks and think tanks from the 1970s. These networks and think tanks combined neoclassical economic theories and economic liberalism in a way that suited corporate interests. Neoclassical economic theories, which were a development of the classical economic theories of Adam Smith and his followers in the 19th century, were revived as a way of giving increased legitimacy to