BOOK REVIEW

Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics

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Critics of neoliberalism and its variants including Misesianism have responded to its emergence in two distinct ways: pejoratively, or scholarly discourse that seeks to engage neoliberal proponents. The first approach is traceable to the Marxists Kapelush (1925) and Marcuse ([1934] 1968). This low road has been traveled more recently by Krohn (1981), Delong (2009) and Seymour (2010), who, a la Marcuse, smear Mises as pro-fascist when government and private archives show the Austrian worked

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1 Murray Rothbard has used the term smearbund to describe this approach.
with U.S. intelligence against Italian fascism and German Nazism in the World War II era.\(^2\)

The second is a high road, a sincere, scholarly approach to understand and/or engage neoliberalism, the term chosen by participants at the Colloque Walter Lippmann in 1938. Early examples include Brutzkus (1928) and Lange (1939). Recent works include Mirowski and Plehwe (2009),\(^3\) and this book by Jones, a London barrister relying on private archives in the U.S. and U.K. Jones claims three historiographic contributions: neoliberalism’s transatlantic nature; intellectual history; and emergence as a political and intellectual movement. His work explains neoliberals’ emergence on macroeconomics and public policy, but overlooks Mises’s archives, and is selective in reporting on the 1960s-era U.S. civil rights movement.

The elections of Prime Minister Margaret Thatcher (1979) and President Ronald Reagan (1980) are key events in recent works. Mirowski and Plehwe find it significant that the British Conservative and U.S. Republican were aware of Hayek’s ideas. Jones also focuses on the period, explaining, “The way in which neoliberal ideas-about individual liberty, free markets and deregulation-translated into electorally successful programs in Britain and the United States between the 1940s and the 1980s is the story of this book.” He describes three distinct neoliberal phases. The term began to acquire meaning in the first phase, from “the 1920s to about 1950,” as “Austrian school economists and the German ordoliberals sought to define the contours of a market-based society, which they believed was the best way to organize an economy and guarantee individual liberty.” The second lasted until Thatcher and Reagan’s ascendancy as neoliberalism “grew into a recognizable group of ideas, and also a movement,” with the help of businessmen. The third phase, post-1980, “was driven

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\(^2\) The U.S. intelligence groups that Mises worked with were the Office of Strategic Services (OSS) and the War Department’s Military Intelligence Division. Mises also worked with the Office of War Information (OWI).

\(^3\) Gregg (2013), sympathetic to neoliberalism, describes it as “commonly used to describe a group of mainly German economic thinkers uneasy with laissez-faire ideas, but far more market-oriented in their economic and policy prescriptions than Keynes.” (72)
by the advance of an agenda of market liberalization and fiscal discipline into development and trade policy.”

Intellectuals, including Mises, whose ideas are viewed as influencing prominent politicians, are of particular interest. “Politicians on the right and, just as important, on the left,” Jones explains, “turned to the proposals of figures like Friedrich Hayek, Ludwig von Mises, Milton Friedman, George Stigler, and James Buchanan (all of whom, except Mises, were Nobel Prize winners) when the chimera of stability based on the Bretton Woods Agreement was dispelled. These thinkers were representative of what has become known as neoliberalism.” Mises and Hayek were among “the standard-bearers of a new set of ideas that would, later in the twentieth century, transform the intellectual landscape and fundamentally reshape” public policy in both Britain and the U.S.

Jones presents Mises in various roles: socialist critic; Mont Pelerin Society participant; Bureaucracy author; an overlooked yet triumphant visionary; and think tank adherent.

He writes of Mises’s first role:

In Vienna in 1920, meanwhile, leading Austrian school economist Ludwig von Mises elaborated the socialist calculation problem: whether economic resources can be allocated efficiently in a planned economy. This question was later refined by Hayek, Mises’ student and Keynes’s friend and adversary, who argued that the price mechanism operated as an information processor that sent unique, comprehensible signals to producers and consumers that were impossible for planners to replicate. (3)

Jones terms the Mont Pelerin Society “a kind of neoliberal international.” (30) Mises’s greatest role was not his membership, but writing a book that helped neoliberalism “expand beyond” the Society “and break through into the political mainstream” in Britain, the U.S., and around the world. That book was not Human Action (1949), termed “influential” (35) by Jones, but Bureaucracy (1944), examined in eight-pages. Mises, in “a direct contradiction of the way” neoliberals would conduct policy in the 1980s and 1990s in Britain, “did not believe it was possible to mix market mechanisms and public tasks.” He argued, “no reform could transform a public office into a sort of private enterprise.” Instead,
the state’s role had to shrink, and it was reasonable to expect that markets “would accomplish those services that the consumers deem most urgent.” (53) Jones elevates *Bureaucracy* alongside Hayek’s *The Road to Serfdom* (1944) and Popper’s *The Open Society* (1945) in its significance to neoliberalism’s growth.

Mises “least noticed at the time,” emerged victorious due to his “unalloyed vision of markets.” Businessmen liked Mises “because he argued corporations were the drivers of social and economic progress.” (83) Their support proved crucial to the success of postwar neoliberal institutions such as think tanks. “Although it is hard to map the direct influence of think tanks on particular government policies, they brought politicians and businessmen into contact with ideas and thinkers through conferences, journals, and newspapers.” (159) Jones describes the process thus:

> Cosmopolitan, transatlantic and international in their outlook, there was a process of cross-fertilization that carried on, imperceptible to the wider political classes or the public, that nevertheless shored up the intellectual infrastructure of neoliberalism. (170)

The think tank was the preferred vehicle of neoliberals, including Mises. The “economic policy successes of business,” Jones notes, “have been striking when compared to the relatively unsuccessful Christian conservative attempts to roll back the sexual and cultural revolutions of the 1960s.” (153) The Institute of Economic Affairs, which saw itself as a serious research establishment (331), was the most important group in the transatlantic neoliberal network. The Heritage Foundation,¹ by contrast, tried to pass the “briefcase test. “Heritage briefings were meant to provide a primer on a particular issue that a congressman could digest on the train home in an accessible form that fit into his briefcase.” (163) Neoliberalism’s first success, which emerged from Mont Pelerin, was in West Germany where *ordoliberals* influenced Konrad Adenauer’s and Ludwig Erhard’s Christian Democratic governments. (88) Bigger breakthroughs occurred when conventional liberalism was discredited in 1970s-era economic crises. These included the 1971 collapse of Bretton Woods because of the expense of the Vietnam

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¹Jones cites Murray Rothbard’s role in starting the Cato Institute (165) but not his later disagreement with the group.
War, the decline in American gold reserves, and the continued expense of LBJ’s antipoverty programs. (219) Neoliberal influence extended beyond Thatcher and Reagan. Transatlantic neoliberalism had become the preeminent reservoir for alternative Republican and Conservative social and economic policy ideas (and often for the Labour Party and Democratic Party, too).” (86) Jones includes, “arguably,” former President Bill Clinton and prime ministers Tony Blair and Gordon Brown as neoliberal “political symbols.” (17)

Milton Friedman’s “deceptively simple” monetarism, built on Keynesian foundations (205), and his “ability to communicate complex economic ideas” (211) gave him an advantage over the Austrian School and the gold standard. A breakthrough occurred in Britain in 1975, when Chancellor Dennis Healey presented the first postwar budget in which full employment was not the highest priority. The move “arguably marked the Labor government’s conversion to a form of monetarism.” (241–242) The irony is that Healey thought “Keynesian and monetarist strategies were both flawed” (245). But Labor, faced with an unhappy British public, accepted “the monetarist critique of demand management.” (247)

Healey explained:

Like long-term weather forecasts (economic forecasts) are better than nothing.... The most fashionable reaction to these uncertainties, which has made it so difficult to follow Keynesian prescriptions in managing demand, was to drop Keynes in favor of Milton Friedman, and rely simply on controlling the money supply. However, no one has yet found an adequate definition of money, no one knows how to control it, and no one except Friedman himself is certain exactly how the control of money supply will influence inflation, which is supposed to be its only purpose.” (246)

The lesson for Austrians is that crises drive opportunity when entering the public square. Deregulation of the U.S. airline industry in the late 1970s occurred in a crisis and is “another example of the successful breakthrough into the political mainstream of a neoliberal policy insight.” (249) A recent example is the Great Recession (2007–2009), a Federal Reserve-engendered crisis that opened the door for Congressman Ron Paul’s two New York Times’ best-sellers (2008, 2009).
Austrians should appreciate Jones’s presentation of Mises in various roles. His suggestion that Mises could be practical in approaching postwar Europe’s reconstruction warrants further inquiry. But his interpretation of the 1960s-era U.S. civil rights era is incomplete. Jones describes the right’s “powerful opposition” to the movement early (15), later noting the U.S. Department of Housing and Urban Development’s failure to sell units to tenants (315) and the reformist essence (318) of the enterprise zone, a British think tank import. Jones cites neoliberal failures but ignores the work of Murray Rothbard, a neoliberal and Mises’s student, in the area of civil rights. Rothbard edited Left and Right, a journal that opposed segregation laws, restrictions on the rights on blacks to vote, and police brutality (1965); defended Julian Bond, “a brilliant young leader” of the Student Non-Violent Coordinating Committee after he was denied his legislative seat (1966); and criticized government “urban renewal” (1967) in black neighborhoods. Rothbard advocated Black Power (1968) and property rights reparations (1969) as a solution to slavery’s legacy in the U.S.

The slaves gained their freedom, it is true, but the land, the plantations that they had tilled and therefore deserved to own under the homestead principle, remained in the hands of their former masters. Furthermore, no reparations were granted the slaves for their oppression out of the hides of their masters. Hence the abolition of slavery remained unfinished, and the seeds of a new revolt have remained to intensify to the present day. Hence, the great importance of the shift in Negro demands from greater welfare handouts to “reparations”, reparations for the years of slavery and exploitation and for the failure to grant the Negroes their land, the failure to heed the Radical abolitionist’s call for “40 acres and a mule” to the former slaves. In many cases, moreover, the old plantations and the heirs and descendants of the former slaves can be identified, and the reparations can become highly specific indeed.

Transatlantic neoliberalism is more nuanced than the “highly-disciplined and effective” movement described by Jones (337) when Mises’s anti-fascist intelligence work and Rothbard’s application of homesteading to civil rights are included.

REFERENCES


