

Waging the War of Ideas: Why There Are No Shortcuts

John Blundell

Director General

Institute of Economic Affairs

My goal is to:

- Set a broad historical scene;
- Remind us of those who fought in the trenches for freedom in the '40s, 50s, and 60s;
- Draw on the strategic insights of F. A. Hayek;
- See how those insights influenced the intellectual entrepreneurs of the era and;
- Draw some general insights and conclusions for the years ahead.

At the end of World War II, classical liberal proponents of the market order were a besieged minority on both sides of the Atlantic. In the United States the Great Depression, the New Deal, the war, and the ascendancy of Keynesian thought had all but totally undermined the liberalism of the Founding Fathers.

In the United Kingdom, government intervention in the economy had reached unprecedented heights. The troops who had at the end of World War One been promised "A Land Fit for Heroes" had suffered the depression of the twenties. This time the returning troops were determined not to be "cheated." The "People's War" - so called because so many had been involved - was to become the "People's Peace": as in war, so in peace, namely, the government would run everything, and Labour decisively swept Churchill aside to take power.

It is against this background that I start with the publication in March 1944 of Hayek's *The Road to Serfdom*, a book totally against the tide of the times.

The Road to Serfdom was and is to this day a powerful attack on socialism and an eloquent plea for a liberal market order. On both sides of the Atlantic it attracted tremendous attention:

- Within 15 months it was reprinted five times in the UK despite wartime priorities, shortages, and austerity standards;
- In the US, following the University of Chicago's edition, a condensed version appeared in *Reader's Digest* and it became a selection of the Book-of-the-Month Club.
- In both the UK and the US, fellow social scientists were moved to write not reviews but book-long responses, Wootton in the UK and Finer in the US.²

Among the many who were influenced by *The Road to Serfdom*, I single out four people: Harold Luhnow, Leonard Read, and F.A. Harper in the US, and Antony Fisher in the UK.

For the moment let's stick with Luhnnow - I shall return to Read, Harper, and Fisher later.

In the 1920s and 1930s, Luhnnow worked for his uncle William Volker in Volker's Kansas City-based wholesale firm.³ In 1932, Volker had established the William Volker Fund and in 1944 Luhnnow succeeded him as the Fund's president.

Luhnnow had already been exposed to liberal thought through Loren Miller. Miller incidentally was intimately acquainted with such important business intellectuals as Jasper Crane of DuPont, B. E. Hutchinson of Chrysler, Henry Weaver of GE, Pierre Goodrich, the Indianapolis businessman and creator in 1960 of Liberty Fund, and Richard Earhart, founder of the Earhart Foundation.

On reading *The Road to Serfdom*, Luhnnow became a thoroughgoing classical liberal and, as head of the William Volker Fund, was able to contribute financially to the cause of liberalism. In 1945, he met Hayek and was soon instrumental in bringing him to the University of Chicago.

To Luhnnow - as well as Read, Harper, and Fisher - the key question was: What should we do? What strategy should we adopt to change the course of society?

Hayek's answer can be found in a number of his articles of the time, in particular:

- *Historians and the Future of Europe* (1944)
- *Opening Address to a Conference at Mont Pelerin* (1947)
- *The Intellectuals and Socialism* (1949)
- *The Transmission of the Ideals of Economic Freedom* (1951)
- *The Dilemma of Specialization* (1956).

All are reprinted in his *Studies in Philosophy, Politics and Economics*.⁴

The key strategic insights from these writings can be summarized as follows:

1. Socialism came into ascendancy partly because of the failure of liberalism to be a seemingly relevant, living, inspiring set of ideas. Liberalism needed reviving and toward this end, Hayek viewed his creation of the Mont Pelerin Society, an international community of classical liberal scholars and other intellectuals, as a critical first step.
2. History plays a major role in the development of people's political philosophy. For Hayek, "There is scarcely a political ideal or concept which does not involve opinions about a whole series of past events, and there are few historical memories which do not serve as a symbol of some political aim."⁵

Or as others have noted: more people get their economic opinions through the study of history than through the study of economics.

Hayek's key example in this regard is the German historical school, which promoted the role of the state and was hostile to spontaneous order. To Hayek, it was very much responsible for creating the atmosphere in which Hitler could take power.

3. Practical people who concern themselves solely with current day-to-day problems tend to lose sight of, and therefore influence on, the long run. This is because of their lack of idealism. In a paradoxical way the principled, steadfast Ideologue has far greater long-term influence than the practical man concerned with the minutiae of today's problems.
4. Never become associated with special interests and beware of "free enterprise" policies that are neither free nor enterprising - or as Arthur Seldon of London's Institute of Economic Affairs (IEA) says, "Beware of giving politicians dangerous toys."
5. Do not go into politics where you will become imprisoned in a slow process whose outcome was already determined decades ago. Instead, look for leverage in the world of ideas as a scholar, intellectual, or intellectual entrepreneur.
6. Over the long run, it is a battle of ideas, and it is the intellectual - the journalist, novelist, filmmaker, and so on, who translates and transmits the ideas of the scholars to the broader public - who is critically important. He is the filter who decides *what* we hear, *when* we hear it, and *how* we hear it.
7. Historically - and here I believe Hayek might change his tune a little if he were writing today - a high percentage of the most able market-oriented people have tended *not* to become intellectuals or scholars but rather businessmen, doctors, engineers, and so on. On the other side of the debate, a high percentage of the most able socialists disgruntled with the course of history - became intellectuals and scholars.
8. Finally, and here I quote the whole of the last paragraph of *The Intellectuals and Socialism*:

"The main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals and therefore an influence on public opinion which is daily making possible what only recently seemed utterly remote."

Remember that Hayek was writing in 1949. He goes on:

"Those who have concerned themselves exclusively with what seemed practicable in the existing state of opinion have constantly found that even this has rapidly become politically impossible as the result of changes in a public opinion which they have done nothing to guide. Unless we can make the philosophic foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark. But if we can regain that belief in the power of ideas which was the mark of

*liberalism at its best, the battle is not lost. The intellectual revival of liberalism is already under way in many parts of the world. Will it be in time?"*⁶

To summarize:

- Keep liberal thought vibrant and relevant;
- Recognize the importance of history;
- Be principled and steadfast;
- Avoid special interests;
- Eschew politics and instead search for leverage;
- Recognize the critical role of the intellectual; and
- Be Utopian and believe in the power of ideas.

This was the advice given by Hayek to Luhnnow, Read, Harper, Fisher, and others.

How did they translate that advice into action?

With Loren Miller and the strategic insights of Herb Cornuelle - who was later to become Vice President of Dole, President of United Brands, President of Dillingham, and to serve on the Board of Directors of the Institute for Humane Studies (IHS) - Luhnnow's Volker Fund pursued a number of strategies:

First, it supported key world-class scholars who at that time could not obtain positions in American universities. The list includes Hayek, Ludwig von Mises, and Aaron Director - what a comment on the intellectual climate of the time!

Second, it helped the then small minority of liberal scholars to meet, discuss, and exchange ideas. Friedman's *Capitalism and Freedom*, Leoni's *Freedom and the Law*, and Hayek's *Constitution of Liberty* all evolved from such meetings. One can also clearly trace the origins of both Law and Economics and the Public Choice School to early Volker programs. In the same vein, Volker put up the funds that enabled the North Americans to have such a strong presence at the first Mont Pelerin Society meeting in 1947.

Third, it employed the strategy that IHS was later to adopt from 1961 on, namely that of:

- Identifying talented young people interested in the ideal of a free society;
- Qualifying (i.e., getting to know and evaluate) that talent;
- And finally supporting, nurturing, and developing that talent.

Fourth, it published the Humane Studies Series of books at a time when classical liberal scholars were spurned by publishers. These books were distributed to almost all North American college and university libraries by the National Book Foundation.

Finally, Volker encouraged the formation of complementary institutions, among them:

- The Intercollegiate Society of Individualists (ISI), later renamed Intercollegiate Studies Institute;
- The Foundation for Economic Education (FEE);
- The Earhart and Reim Foundations, and finally IHS, the Volker Fund's strategic successor on its expiration.

Leonard Read established the Foundation for Economic Education (FEE) In March, 1946. Read had been a classical liberal since knowing William Mullendore, Herbert Hoover's executive secretary, in California. His early associates included Brown of GM, Goodrich of BF Goodrich, Henry Hazlitt, and the Reim and Earhart Foundations as well as Paul Poirot, William Curtis, and Ivan Blerley.

Read carved out an "educational" route. He had two goals, namely, to recover the classical liberal, intellectual tradition and to disseminate that tradition to the layman.

He was remarkably successful. He played a special role in the lives of many people over many years, even decades. Indeed, it is safe to say that had it not been for Leonard and FEE in the '40s, '50s, and '60s, those who followed and expanded the efforts on behalf of the free society in the '70s and '80s would have faced a much, much tougher battle.

F. A. "Baldy" Harper was a professor of economics at Cornell University when he, too, like Luhnnow and Read, read *The Road to Serfdom*. He promptly began using it in his classroom teaching at Cornell. I vividly remember talking with his widow, Peg Harper, in the summer of 1983, about the reaction to Baldy's use of *The Road to Serfdom*. She described how one night a trustee of Cornell, who was a friend of Baldy's, came to visit them at their home and asked that Baldy discontinue using *The Road to Serfdom* in the classroom. In the view of the trustees, its message was more than contentious and, after all, Cornell, like so many private universities, received and looked forward to receiving a great deal of government funding.

From that moment on, Baldy no longer considered himself in any way tied to Cornell. He very quickly went to join Leonard Read on the staff of FEE and by the mid-fifties had moved to California to join the senior staff of the William Volker Fund. In 1961, with the Volker Fund due to expire, he made his third move, namely to set up his own shop, to found the Institute for Humane Studies. In this endeavor, he was joined by people formerly associated with Volker such as Leonard P. Liggio, George Reach, Kenneth S. Templeton, Jr., and Dr. Neil McLeod; and among his earliest business supporters were R. C. Hoiles, J. Howard Pew, Howard Buffet, William L. Law, and Pierre Goodrich.

Initially, the Institute for Humane Studies continued many of Volker's programs and was involved in conferences, publishing, and talent-scouting. IHS inherited Volker's staff, approach, and the strategy of Loren Miller and Herb Cornuelle.

As the '70s ended, other groups emerged to run conferences, and university presses and trade publishers began to take a serious Interest in the work of classical liberal scholars. This left IHS free to concentrate on its unique mission of talent scout, and in recent years

it has homed in exclusively on identifying, developing, and supporting the very best and brightest young people it can find who are (a) market-oriented and (b) intent on a leveraged scholarly, or intellectual, career path.

Our fourth intellectual entrepreneur is Antony Fisher who came across the condensed version of *The Road to Serfdom* in *Reader's Digest*. A former World War Two fighter pilot turned farmer, he sought out Hayek at the London School of Economics.

"What can I do? Should I enter politics?" he asked.

"No," replied Hayek. "Society's course will be changed only by a change in ideas. First you must reach the intellectuals, the teachers and writers, with reasoned argument. It will be their influence on society which will prevail, and the politicians will follow."

For close to ten years, Fisher pondered Hayek's advice. In the late '40s he traveled to the United States and visited FEE. While he finally selected a different approach, he learned from Baldy Harper of a new agricultural breakthrough, the factory farming of chickens, and, armed with an introduction from Baldy, he traveled to the outskirts of Cornell and "met my first chicken farmer."

Within a decade, Antony was Britain's Frank Purdue. And In 1955 he incorporated the institute of Economic Affairs in London to make the case for a free economy to the intellectuals.

He hired Ralph Harris and Arthur Seldon - Britain's "last two economists who believed in free markets," someone joked - and the IEA began to publish a stream of independent studies, written by academics mainly, but couched in layman's language and accessible to all interested people.

Their strategy was to avoid politics, concentrate on the climate of opinion, and educate opinion leaders on market alternatives. For 20 years Harris and Seldon persevered, producing scores of well- researched monographs on everything from housing to agriculture, welfare to exchange controls.

By the mid '70s, it was clear that the consensus was turning away from state planning and toward market solutions, and it was also clear that the IEA was responsible.

Indeed, on becoming Prime Minister in the summer of 1979, Mrs. Thatcher wrote to Antony, "You created the atmosphere which made our victory possible." And some years later, in a speech on the occasion of the IEA's 30th anniversary, Mrs. Thatcher added, "May I say how thankful we are to those who joined your great endeavor. They were the few, but they were right, and they saved Britain."

Starting in the mid-'70s the IEA model began to be copied around the world, and Antony found himself in great demand as a consultant to such fledgling groups. By the late '70s his mailbag was so large that he incorporated the Atlas Economic Research Foundation

as a focal point for intellectual entrepreneurs wishing to establish independent, public policy institutes. Today, Atlas lists some 50+ institutes in some 30+ countries that it has helped to establish, develop, and mature.

It is against this background that the explosion of interest in market ideas in the '70s and '80s must be judged and understood.

Without the cast of characters I have described and many others - John M. Olin, Randy Richardson, Dick Larry, Jeremiah Milbank, Dick Ware, Charles and David Koch, and so on - and without their farsighted commitment, we would not be here today and we would not be witnessing a world-wide move toward freedom and free markets.

The temptation now of course is to think the battle of ideas is won and all we need to do is to implement the rolling back of the state. The Fabian Society in the UK made an analogous mistake in 1945. Following Labour's huge victory at the polls that year, its members rushed into government and left a vacuum in the battlefield of ideas. This permitted the IEA to grow in influence unchallenged by a socialist counterpart until the Institute for Public Policy Research was established in 1988.

In a very real sense, the battle of ideas will never be won. However far we travel along the road to a free society there will always be a temptation to backslide and thus there will always be a job for market liberals to do at all levels, from the practical to the scholarly. In particular, we must ensure that liberal thought continues to be relevant and inspiring. Liberal scholars must continually take up challenging, cutting-edge work and strive to be at the forefront of their disciplines. To draw on Hayek again, we must retain "that belief in the power of ideas which (is) the mark of liberalism at its best."

In no particular order, let me outline some strategic thoughts for the '90s. Of course, I am assuming that all currently successful initiatives or programs continue.

1. Practical people who pursue careers in business and the professions and who retain an interest in ideas are rare. However, they do exist, and some are on the side of market liberalism. In achieving change there is clearly an important role for the "business intellectual." At IHS we have started with Liberty Fund of Indianapolis a program of identifying, and nurturing a network of such people - i.e., younger business and professional people who are destined for top-flight careers and who share a concern for liberty. It is from their ranks that I see the future Loren Millers, Herb Cornuelles, Randy Richardsons, and so on emerging.
2. For several decades now it has been fashionable to fund economics. Despite the waste of some several hundred million dollars, possibly one billion dollars, on endowing chairs of free enterprise, we have been winning in economics for some time. We have also done well in law, philosophy, and political science, although much remains to

be done. History, moral philosophy, and literature are a different matter, and while Hayek stresses history I would stress all three as areas that our friends in the foundation world should be demanding we tackle.

3. To the extent that it is possible, we must identify the issues of the next century and invest now in generating the people capable of tackling them. Take the excellent people at the Political Economy Research Center (PERC) in Bozeman, Montana. They have done pioneer work in promoting the understanding of the role of markets and property rights in sound environmental stewardship. Imagine for a moment that PERC's funding had been many times higher. Imagine that a whole succession of generations of graduate students, numbering say 100 PhDs, had come out of its programs to teach, write for the leading newspapers, publish books, and so on. Clearly, the current debate on the environment would be different.
4. We must never overlook or underestimate the critical role of the filter of the intellectuals, the people who translate and transmit ideas to the general public. Pre-eminent among such people are journalists, but one also thinks of the clergy, novelists, cartoonists, filmmakers, editors, and publishers.

Finding, developing, and nurturing young people who value liberty and seek such careers is the object of another new IHS program, directed by Marty Zupan.

However, we must not overlook the potential for our scholars in this area. Once tenured and well on in their disciplines, our scholars should be encouraged to come out of the ivory tower and join in public discourse.

They should not do this early in their careers - it will damage their chances of promotion. But at the right time they should be encouraged to follow in the footsteps of Milton Friedman, Robert Nisbet, and Michael Novak.

5. We must be alert to the danger of allowing the "free enterprise" tag to be given to policies that while somewhat market-oriented are certainly not free enterprise.

A classic here is the growth of contracting out, that is of governments issuing exclusive contracts to firms to do a job previously undertaken by directly employed labor.

I have cataloged elsewhere the problems inherent in such a situation.

For today's purposes, I simply want to establish the point that contracting out is *not* free enterprise; yet when contracting out runs into problems, free enterprise gets a bad name.

6. Directly from that last point I want to reiterate Arthur Seldon's point about giving dangerous toys to politicians.

Here let me contrast four recent policy developments: denationalization, contracting out, enterprise zones in the UK, and airline deregulation in the US.

UK denationalization and US airline deregulation have both been successful.

Enterprise zones and contracting out in the UK are, respectively, a total failure and problematic.

The two successes were both based on well researched, well thought-out papers, articles, and dissertations. For years, if not decades, scholars and other intellectuals had debated and discussed every aspect of both reforms. As early as 1973 in the UK, I can remember articles on and discussion of how we should denationalize through a program of widespread stock ownership and many of the other techniques of the mid and late '80s. Similar debates took place here in the US on airline deregulation.

The result of such rigorous examination was a pair of sound strategies.

Let's contrast this with enterprise zones and contracting out in the UK. Both ideas suddenly appeared on the policy agenda in the late '70s and both were being implemented within a couple of years. In neither case was there more than derisory discussion of potential problems. The result: a pair of flawed strategies.

Mr. Chairman, the story I have told of men such as Hayek, Luhnnow, Read, Harper, and Fisher is a story of heroes.

Their courage and persistence are inspiring. So too are the patience, foresight, and strategic sense of the many other individuals I mentioned. They built a solid base.

As long as we are not duped into believing either that the battle is won, or that we can now employ shortcuts, the future for a society of free and responsible individuals is indeed bright.